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Online success Winners on the Internet

Murdoch's Star TV

Chinese cable deal

Rupert Murdoch's (below) lossmaking Star TV

pany, to establish a cable network possibly to be known as Phoenix. Page 14; Beijing finds an old

ally in Moscow, Page 7; Murdoch learns to be a

Modest growth in US economy: The US economy grew modestly in January and February

without putting upward pressure on inflation, the

Federal Reserve said in a reassuring "beige hook" analysis of regional trends. Page 4; Currencies,

Unliever unveiled a new senior management

sumer goods group more nimble in mature and developing markets, Page 15; Lex, Page 14 GPA, the Irish based aircraft leasing company, has completed the sale of \$4.05bn worth of bonds as part

structure designed to make the Anglo-Dutch con-

of a large securitisation refinancing, in what bankers describe as the second largest non-government

Reed reveals \$5bn acquisition potential:

Reed Elsevier, the Anglo-Dutch publishing and information group, said it was keeping a close eye on a "wish list" of possible acquisition targets and has around \$5bn available this year if the right

Overhauled SBC lifts income 30%: Two big

acquisitions and strong profits from private bank-

ing helped Swiss Bank Corporation, Switzerland's

third-largest financial services group, lift its 1995

net income 30 per cent to SFr1.05bn (\$872m). Page

Italian football heads for strike: Italy, where

national pride and political fortunes often seem inextricably linked to soccer provess, is heading

Judge arrest linked with Berkesconi camp:

The ramifications of Tuesday's arrest of a senior

Rome judge by Milan anti-corruption magistrates spread to enguli key figures linked to former Pre-

mier Silvio Berlusconi and his Forza Italia move-

Hoechst reports strong increase: Hoechst

reported a strong rise in profits and a higher divi-

dend, following tha trend set on Tuesday by BASF

Société Générale, the French banking group,

announced net income for 1995 down 1 per cent at

PFra.8bn (\$740m), while relaunching its attack on

French aerospace merger still grounded:

Dassault, France's two sircraft makers, has run into

The proposed merger between Aerospatiale and

trouble less than a month after it was announced

Car named as chief environmental villain:

The car emerged as the chief villain while industry

was a hero in the picture of Britain'a environment painted by official indicators. Page 8; Industry hopes rise, Page 2

presidency and the Commission president increased

pressure on France and Britain to stop trying to

Polish director dies: The Polish film director

Krzysztof Kieslowski has died of a heart attack aged

54. Kieslowski won recognition with his Three Col-

ours trilogy, of which Red brought him an Oscar

Cricket World Cup: Sri Lanka were awarded a

place in the final when their match against India in

Calcutta was halted as the crowd invaded the field

and hurled bottles and other objects on to the ground. Sri Lanka had made 251-8 in their 50 overs

while India were struggling at 120-8 in the 35th over

when the match was stopped. The West Indies play Australia in the second semi-final today.

(-9.59) (+0.8%) (-215.57)

GOLD

(+12.23) close _\$396.75 (396.4)

E DOLLAR

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Herr York lunchiline

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(Apr)\$397.7 . (397.5)

Pressure to remove IGC block: The EU

block a European parliament presence at this

month's intergovernmental conference on the

future of the Union. Page 2

M STOCK MARKET MEDICES

1.944.30

2,426.38

homination last year.

New York Isochtisse

by the French government. Page 2

the state hacked rescue plan for its rival Credit

Lyonnais. Page 18

and Bayer, its two German chemical rivals. Page 17

towards its first soccer players' strike. Page 2

15, Warburg results, Page 18

opportunity came along. Page 22; Lex, Page 14

US bond issue ever conducted. Page 18

Page 25; World Stocks, Page 34

partner. Page 17

network, in its latest effort to break into China, is

understood to be close to

agreement with a Hong

with high level People's

Liberation Army connec-

tions. Star TV is hoping

to involve either China

Radio, Film and Televi-

sion in a three-way deal

with Carefree Develop-

ment, an oil trading com-

Central Television or

China's Ministry of

Kong-based company

edges closer to

Clean machines

Robots in electronics Wider ambitions

Branching out in Salt Lake City

Page 5

Gunman massacres 16 children in Scottish school



Gerhard Cromme Making things

happen at Krupp

THURSDAY MARCH 14 1996

Prime minister describes shooting as 'mad and evil act'

Financial Times Reporters

Sixteen small children and their teacher were murdered hy a deranged gunman at a primary school in a Scottish market town yesterday. Another 15 children were injured, some of them seri-

ously. The gunman, named by police as Thomas Hamilton, a former Scout leader with a grudge against the movement, then turned one of his four handguns on himself and was also found dead at the scene. Local residents

The 29 five and six-year-old also shot dead. children were playing in the gymnasium of the primary school at Dunblane, in Perthshire, 30

miles from Glasgow, when Hamil-

ton burst in at about 9.15am and

opened fire. In two or three minutes 15 of the children died in the hail of hullets. One died later in hospital and almost all the others were wounded, some seriously.

As news of the massacre spread through the fown, parents rushed to the school find out if their children were safe. Many of them had to be told appalling news; others whose children were unscathed picked them and took them home, clinging to them with relief.

Police, who sealed off the school, faced the appalling task of giving the news to the parents

dren bome. Headmaster Ron Taylor was described as a hero by Scottisb secretary Mr Michael Forsyth and his Labour shadow Mr George Robertson for his work in helping the traumatised

victims of the incident.

Mr John Major, the prime minister, who was informed of the incident as he attended the antiterrorism summit in Egypt, described the massacre as a "mad and evil act". He added: "It is beyond belief that so many young lives can have been so

brutally ended in this way." Mr Forsyth, who had flown up from London, was visibly dis-traught. "I can't find words to express the horror of what has

would expect a tragedy of this kind to take place." Mr Forsyth is the local MP, and his political opponent Mr Robertson lives in Dunhlane and said that his own [grown up] children had all been at the primary

school where the "act of unspeak-

happened here," he said. "Dun-

hlane is the last place where you

able brutality" took place. Even some of the journalists who crowded into the centre of the town found it hard to control their grief.

At Westminster, MPs were shocked by the shooting tragedy but most said if was too soon to consider changing the gun laws or tightening school security.

The most notorious lone gunman massacre in Britain before was perpetrated by gun fanatic Michael Ryan, who killed 16 people and injured 14 others in Hungerford, Berkshire, in August

Tough law fails, Page 8

who knew Hamilton said he was Their teacher, Mrs Gwenne an unpopular loner, who had a Mayor, a 44-year-old mother of of the children who had died and fascination for guns. two grown-up daughters, was allowing others to take their chil-Liggett offers deal to settle damages

By Richard Tomkins in New York

Liggett, the US tobacco company. yesterday stunned the US tobacco industry hy offering to reach a multi-million-dollar out-of-court settlement with anti-tobacco litigants.

If the landmark deal goes ahead, it will be the first time any US tohacco company bas paid money to settle an anti-tobacco lawsuit. It could set a dangerous precedent by breaching the industry's united front against the anti-topacco lobby.

The attorney-general of Minnesota, one of five states suing the industry to recover smokingrelated healthcare costs, said: The Liggett offer is the first promising crack in the dam of the tobacco companies' defence It exposes the profound vulnera-

bility of the entire industry."

The Liggett formula would settle two main types of litigation pending against the US tobacco industry: the so-called Castano case, which seeks damages on behalf of all present and former smokers who have been addicted to nicotine, and lawsuits from individual states seeking to recover tha costs of treating

claims by smokers

The proposal atipulates that Liggett and any companies that merged with it should pay 5 per cent of pre-tax profits up to \$50m a year over 25 years to settle the Castano case. To settle the state lawsuits, Liggett would pay 2 per cent to 7 per cent of pre-tax profits, depending on bow many

states joined the action. The total cost to US cigarette manufacturers if all companies accepted the formula would be

...Page 4 Background Editorial Comment ... Page 13 Lex ____ ...Page 14

more than \$15bn over the next 25 years. But other US tobacco companies yesterday angrily rejected the idea of a settlement, saying they intended to fight and win all pending legal claims.

On the New York Stock Exchange, Philip Morris's share price was down \$2 at \$99% in early trading, while RJR Nabisco's was flat at \$34%. In London, shares in BAT Industries, parent of Brown & Williamson Tobacco, the third higgest US tobacco company, closed 85p down at 505p.

field and a range of cut-price cigarettes, is controlled by Mr Bennett LeBow, the US corporate raider who is trying to seize control of RJR Nabisco, the second higgest US tobacco company, Mr LeBow wants to break up the groupby spinning off its Nabisco food business to shareholders.

His proposed deal with anti-tohacco litigants was yesterday seen as an attempt to improve his chances of triumphing over RJR Nabisco by removing its main objection to a spin-off - the risk that anti-tobacco litigants would try to block it.

Under the plan, the terms of the settlement would apply to any company that merged with Liggett (excluding Philip Morris, the biggest US manufacturer which is much more profitable than the rest).

The cost to Liggett, which made only about \$11m in pre-tax profits last year, would be small. But Ms Diana Temple, an analyst at Salomon Brothers, the Wall Street investment house, said the annual cost to Philip Morris, RJR Nabisco, BAT and Loews would be \$400m, \$120m, £45m and \$60m a year respectively.

CLASS OF ITS OWN

Pushing for peace: Egyptian president Hosni Mubarak guides Bill Clinton, left, and President Boris Yeltsin of Russia to a session of the anti-terrorism summit in the Red Sea port of Sharm el-Sheikh. Summit leadars yesterday

agreed to crack down on terrorist networks a part of an international effort to salvage the Middle East peace process thrown into turnoil by recent suicide bombings in Israel. Raport, Page 14; Editorial Comment, Page 13

World Bank asked to approve debt plan

By Michael Holman in London and Patti Waldmeir In

The World Bank board will today be asked to approve a joint plan with the international Monetary Fond which provides for a comprehensive resolution of the external debt problems faced by the world's poorest countries. The initiative, supported in a

memorandum by Mr James Wol-

fensohn, the bank's president, and set out in a 15-page paper, suggests ways to reduce all external debt - hilateral, commercial and multilateral - to what it calls sustainable levels. The plan marks the first time the two institutions have put forward a joint approach to debt, and its confidential proposals will be put to the IMF board next Wednesday. The boards' views will determine their stance at their spring meetings next

month, when poor country debt is on agenda. The World Bank yesterday expressed "deep concern" that the proposal had become public before being cleared by the two boards, but confirmed that the paper would be discussed today. Shuuld the scheme win approval by the two boards, it

Continued on Page 14 Debt burdan lies heavily, Page 6 | Anglo's chairman, said his group

could go into effect towards the

end of this year. At least eight

Anglo American buys Lonrho stake in surprise move

By Kenneth Gooding, Mining Correspondent

Anglo American Corporation. South Africa's biggest company, surprised its rivals in the mining industry yesterday by huying 5.9 per cent of Lonrho, the UK-based conglomerate, for the equivalent of £91m (\$139m).

The holding is being sold by Mr Dietar Bock, Lonrho's chief executive, who acquired the shares only this week from Mr Tiny Rowland, his predecessor and founder of the group, at the same

price of 200.36p.

Anglo, which is being advised by SBC Warburg, has also been given first right of refusal over Mr Bock's remaining 18.5 per cent of Lonrho, whose shares rose in London after the news by

8p to close at 202p. Lourbo is planning to demerge its mining interests soon and analysts suggested the deal was a pre-emptive strike hy Anglo to ensure no rival would snatch them. Gencor, another big South African group, is known to be interested, and Mr Rowland said it recently made an offer for his

Lonrho shares. Lourho's mining interests include 37 per cent of Ashanti Goldfields of Ghana, one of the world's few 1m-ounce-a-year producers, and 72 per cent of a South African platinum company. Mr. Julian Ogilvie Thompson,

had no intention of making an offer for the rest of the Lourho shares. No such undertaking had been given in respect of the mining assets but Anglo had no plans to hid for these when they were demerged, he said.

Analysts said the way was open for Anglo to increase its holding in the demerged mining operations, possibly buying from Mr Bock said he had already

made clear he would concentrate on Lourho's non-mining interests after the demerger. "I have no intention of disposing of any of my core holding of 18.5 per cent of Lourho in the meantime."

Mr Ogilvie Thompsou said he hoped the Lonrho shareholding. which he called "an important long term investment for Anglo, complementing the group's exist ing African interests", would open the way for joint ventures with Ashanti. He had telephoned Mr Sam Jonah, Ashanti's chief executive and a Lonrho director to tell him of the purchase and this was "well received".

Lonrho is hoping to merge its platinum operations with those of Impala, a Gencor affiliate, to produce the world's biggest platinum group. But the deal is being delayed by a European Commis sion investigation.

Anglo American already has a substantial stake in Rustenberg Platinum, at present the world's largest producer.

Bonex's NB-500/1 notebook changes all that. Even the basic specification of the NB-500/I offers PCI Pertrum power and a colour screen. And its modular design mean that despite its small size and light weight, users benefit from a wide range of alternative configurations, including an optional CD-ROM give This Notebook has been designed to beat the best in the world, matching the versatility and processing speed of much bigger and heaver machines. Its Pentium processing power multimedia capabilities, upgradeability and performance certainly puts the NB-500/1 in a class of its own. Notebook with docking 75MHz Pentium Processor SMB RAM (expandable to 40MB) 10 4" Dual Scan colour screen NAME bactery and AC adaptor 2 x POMCIA Type 4 slots, or 1 x POMCIA Type 14 slot Compact and light - 297 > 228 x 50mm and 2.9kg Windows 95 (or DOS 5.22 & Windows for Wiorkgroups 3.11) pre-loan £2,109.13 nc VAT (£1,795.00 exc VAT) As NB-575/1 above, but with 120MHz Pertium Processor IO 4" Thin Film Transistor colour screen. £3.278.25 m VAT(£2.790.00 ex VAT) For NS-575/1 £205.22 per quarter inc VAT For NB-5120/1 £318.97 per quarter inc VAT Other specifications and finance available 01274-307714

CONTENTS Arts Guide FT/SP-A Wild Indices. Foreign Exchanges Gold Merkets

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LOGICON - LEGIS - PARIS - FRANKFORT - STOCKHOLM - MARRIO - HEN YORK - LOS ANGELES - TOKYO - HONG KONG

The proposed merger between Aérospatiale and Dassault, France's two aircraft makers, bas run into trouble less than a month after it was announced by the French government, writes Michael Skapinker,

Aerospace Correspondent. The "pilot committee" of the two companies set up to produce a merger plan by the end of June has not been able to start its work because Dassault executives have refused to attend. "Nothing has moved. There has been no progress whatsoever," one manager said yesterday.

Serge Dassault, the company's chairman, is resisting a merger in which Aérospatiale would play the leading difficulties with Dassault.

is "tight hut tenable". Aérospatiale consolidate the country's aerospace and defence industries. It proposed the merger last month at the same role. Dassault is profitable; Aérospa tiale is not. One of Dassault's demands is thought to be the removal of Mr Louis Gallois, Aérospatiale's

The French government remains anxious for the merger to go ahead. Mr Charles Millon, the defence minister warned earlier this week: "Mr Dassault must remember that his principal customer is the state."

The merger plan was supposed to have set out how the companies could be united into a single group within two years. Aérospatiale is a leading partner in Airbus Industrie, the European aircraft manufacturing consortium, and also makes France's nuclear missiles. Dassault makes military jets such as the Mirage and the

Failure to prodoce a merger Mr Gallois has said the June 30 between the two companies would be

time as announcing the privatisation of the Thomson electronics group. Mr Alain Joppe, the prime minister, told the National Assembly he wanted "to restructure the arms industry around a civil and military aeronautic pole Icentred on Aérospatiale-Dassault] and a second electronics pole consti-

tuted around a privatised Thomson". The government said it saw the moves as the start of a consolidation of Europe's aerospace and defence Aerospace executives believe Mr deadline for producing a merger plan a blow to the government's plans to industries, with French companies

playing a central part. The govern-ment objected to talks between Thomson-CSF, the Thomson defence subsidiary, and GEC of the UK because it wanted French companies to consolidate first. The ending of the talks with GEC was ona of the reasons behind the resignation last month of Mr Alain Gomez, the president of Thomson SA, the holding company.

Aerospace and defence groups in Britain and Germany have also said they see the consolidation plans in France as the prelude to Europe-wide restructuring

France reaffirms its belief in two-speed European Union

Pressure to remove IGC block

Sweden yesterday organised a show of concerted action by

at the IGC, writes Hugh Carnegy in Stockholm.

It invited all members of the EU except Britain, France,

although they are understood to back the initiative.

"There is clear support in this group for amending the

[Maastricht] treaty [to include employment provisions] and a

dominant view is that a separate chapter on employment would

be the best way of achieving it," said Mr Gunnar Lund, Sweden's representative on the "reflection group" which prepared the IGC agenda and the host of the Stockholm meeting.

on such an initiative, they have been besitant about backing incorporation of employment provisions into the revised treaty. Mr Lund denied the meeting was intended to outflank the big

countries on the issue, but he said Sweden wanted to ensure

discussion moved on to the substantive issue of how to

Although opinions vary between the four biggest EU members

Germany and Italy to a two-day meeting in Stockholm which

smaller members of the European Union in an attempt to force

the integration of employment policy into the BU's ground rules

agreed that the IGC should incorporate job creation objectives to

help tackle unemployment, currently affecting some 18m people. Only Ireland and the Netherlands were unable to attend,

France yesterday outlined its belief in a two-speed European Union with power concentrated in national parliaments and the council of ministers.

In a policy statement ahead of the inter-governmental conference in Turin at the end of this month, Mr Alain Juppé, the prime minister, called for reform of EU institutions and ruled out creation of a "super-European state".

Addressing European centreright politicians in Paris, he stressed the need to relaunch economic growth in the continent and achieve a single currency to consolidate growth in the member states, ensure the

By Nell Buckley in Strasbourg

The EU presidency and the

Commission president yester-

day increased pressure on France and Britain to stop try-

ing to block a European parlia-

ment presence at this month's

intergovernmental conference

minister of Italy, which holds

the EU presidency, also out-

lined a firmly integrationist agenda for the IGC - in con-trast to the cautious positions taken by Britain and France in

She told MEPs in Strasbourg that Italy would "not accept a

lowest common denominator

involvement in the conference

should give its view on issues in the IGC and be briefed regu-

larly and in detail.

Ms Susanna Agnelli, foreign

on the future of the Union.

defence of the region and put an end to "crisis and conflicts" within and on the borders of

He affirmed his belief in the importance of a Europe ultimately enlarged to the countries of the former Eastern bloc, alongside an inner Union of those of the existing 15 member states linked through a single system of law.

Mr Juppé said there should be a "second circle" within the existing EU of "a small number of states around France and Germany", which wanted to move further or more quickly than others on subjects such as defence and a single currency. He said members of the EU should not participate à la

carte simply in those elements which interested them, and stressed that Europe was about a regime of laws and ohligations applicable to all coun-

The political centre of grav-ity, be stressed, should not rest in the Commission and the European Parliament, but rather in the Council of Ministers and in national parlia-

"For us Gaullists, the nationstate is more than ever the place which is both essential and central to implementing the democratic contract, the social and political focus between the citizen and his

Mr Juppe stressed the idea a common defence force, wi each of the five largest E countries making availab representatives," be said.

The existing structure of the tion with the US through Na

Agnelli said European integra-

tion was "necessary to render

our society more solid", while its enlargement was a "moral duty and objective require-

She added that majority vot-ing in the Council of Ministers

should become the "general

rule", except for Issues of a

"constitutional character" and

suggested "different degrees"

of European integration were

possible - an "avant-garde" of

member countries moving

quickly towards integration

would be a "logical" part of the

Mr Santer emphasised the

similarities between the Com-

mission's position on the IGC

iei in	January-February 1996										
•		Volume (Units)	Volume Change(%)	Share (%) Jan-Feb 96	Share (%) Jan-Feb 9						
ion	TOTAL MARKET	2,213,300	+8.8	100.0	100.0						
	MANUFACTURERS:		•								
	Volkswagen group	369,548	+15.5	16.7	15.7						
	- Volkswagen	249,187	+16.6	11.3	10.5						
ropean Council, with its	- Audi	60,824	+8.2	2.7	2.8						
tating presidency, was more	- Seat	49.220	+17.7	2.2	2.1						
d more showing its limita-	- Skoda	10,317	+23.5	0.5	0.4						
	Flat group*	288,308	+13.6	13.0	12.5						
ms, he said. He proposed the	- Fiat	227,532	+13.7	10.3	9.8						
eation of a "super secretary	- Lancia	33,196	+53.3	1.5	1.1						
neral of the council" in	- Alfa Romeo	26,693	-15.0	1.2	1.5						
arge of foreign policy and	General Motors	280,602	+7.5	12.7	12.8						
mmon defence policy.	- Opel/Varxhall	269,005	48.0	12.2	12.2						
He also called for a	- Seab	9.786	+1.2	0.4	0.5						
	PSA Peugeat Citroen	271,873	+8.9	12.3	12.3						
aplification of the way the	- Peugeot	161,494	+12.3	7.3	7.1						
ropean Parliament works,	- Citroen	110,379	+4.4	5.0	5.2						
ring that the complexity of	Ford group	265,424	+8.8	12.0	12.2						
legislation threatened the	- Ford	262,633	+7.1	11.9	12,1						
nocratic transparency of the	- Jaguer	2,791	-13.4	0.1	0.2						
	Renault	219,047	-0.9	9.9	10.9						
rion.	BMW group	127,578	+1.5	5.8	6.2						
ir Juppe stressed the idea of	Rover	67,143	+11.4	3.0	3.0						
common defence force, with	BMW	60,433	-7.7	2.7	3.2						
ch of the five largest EU	Mercedes-Benz	78,983	+14.5	3.6	3.4						
intriea making available	Volvo	31,471	-20.7	1.4	1.9						
000-60,000 soldiers able to act	Nissan	60,245	+9.6	2.7	2.7						
	Toyota	52,403	+6.3	2.4	2.4						
onomously or in co-opera-	Honda	32,351	+9.4	1.5	1.5						
with the US through Nato.	Mazda	27,588	-8.6	1.2	1.5						
	Mitsubishi	23,379	+22.1	1.1	0.9						
	Total Japanese	223,789	+7.9	10.1	10.2						
block	Total Korean MARKETS:	36,516	+91.0	1.8	0.9						
EJEUJU.R	Germany	539,600	+10.6	24.4	24.0						
NIO CAL	Italy	364,100	+2.7	16.5	17.4						
	France	361,900	+17.7	16.4	15.1						
	United Kingdom	350,800	+2.1	16.8	16.9						
sition two weeks before the	Spain	129,100	+11.5	5.8	5.7						
C is due to open in Turin, Ms											

in west European new car market

have been too pessimistic about the industry's prospects this year, writes John Griffiths. European Automobile Manufacturers' Association statistics

the first two months of the year by 8.8 per cent to 2,213,300. The industry had viewed January's 6.7 per cent year-on-year nee as a "blip", expecting total sales would rise by only about 3 per cent this year. And yesterday the ACEA pointed out that there was an axtra sales day last month compared with the previous February. However, this would not in Itself

eccount for more than some 4 per cent of the increase In Germany, where unemployment has just crossed the 4m threshold, registrations last month rose 9.5 per cent to 264,000. For the first two months as e whole registrations in Germany, by far the region's single largest new car market,

were 10.6 per cent higher than e year ago.

Among the larger markets, recovery is being led by France where registrations last month jumped by 17 per cent. Spain was also up strongly last month, by 13.7 per cent year-onyear, while Belgium, Finland, Ireland and Norway all saw rises in excess of 20 per cent. Volkswagen further strengthened its market leadership, while Fiat has begun to benefit substan-

WEST EUROPEAN NEW CAR REGISTRATIONS

TOTAL MARKET	2,213,300	+8.8	100.0	100.0				
MANUFACTURERS:		•						
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Mitsubishi	23,379	+22.1	1.1	0.9				
Total Japanese	223,789	+7.9	10.1	10.2				

Industry hopes rise with recovery

An unexpected recovery in west European new car markets celerated last month. Carmakers now believe they may

show registrations rose 10.2 per cent to 1,041,500, compared with 945,000 in February last year. This lifted registrations for

It would continue to press for the decision of last December's incorporate employment provisions into EU policy rather than to remain stock on the question of whether it was desirable. and that of parliament, adopted after a four-hour debate - in which a succession European Council meeting in He was at pains to stress that the Swedish initiative was not Madrid to be fulfilled "both in meant to "Interfere with" the conditions set for monetary union. of MEPs called for representaspirit and to the letter". That tion at the IGC - and two decision said the parliament hours of voting on 233 amend-

way to do this is to ensure parllament is effectively involved in the IGC."

Mr Jacques Santer, the Commission president, told the parliament it was important,

ence, to adopt the most transparent and democratic approach to the review of the [European] treaties. The best

parliament to be kept closely informed on the progress of IGC talks.

liament's priorities for the conference, including an enhanced role in EU decision-making. was adopted by 267 votes to

A resolution setting out par-

ist and the economy got worse. All my German friends started to leave. We decided to follow

four children with us." The Heilfuss family arrived in Germany in December 1994. Since then, they have been in a transit camp in the south of Berlin, where they learn German, retrain and wait to be given an apartment of their own. 'It's not easy here. You have to start all over again. I want to work. But first I have to improve my German," said Paul. He receives generous federal assistance - a monthly DM1.050 for the four children

and Lydia Hellfuss often feel homesick. "Your home is where you were born. But we will have to adapt. Things will get better once we can work. We did this for the children,"

Volga Germans feel chill wind from the Rhine Judy Dempsey reports on the settlers welcomed by Catherine the then, bringing our parents and

atarina Ertl has hard, hony hands. As a young woman she worked on a kolkhoz, a Soviet collective farm in Saratov on the hanks of the the river Volga in southern Russia.

Mrs Ertl, a feisty 82-year-old, arrived in Germany six months ago with her son and daughtersin-law Like tens of thoussands of others in the former Soviet Union or eastern Europe, she is an Aussiedler an ethnic German who has the legal right to live in Germany even though ber ancestors left the country in the 18th

"My ancestors lived there for centuries," she recalls in fluent German. "But I never felt at home. My home is Germany. It is my fatherland."

Last year 217,898 Aussiedler arrived in Germany - 209,409 of them from the former Soviet

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Great, persecuted by Stalin and now SPD targets in poll campaigns

arrivals, 22 per cent were over 60 years of age. 37 per cent between 20 and 45.

For decades, it was tahoo for any politician to question the automatic right of Aussiedler to settle in Germany. But in recent weeks, in an extraordinary development, Mr Oskar Lafontaine, leader of the opposition Social Democrats (SPD), has suggested it is time to restrict the automatic right of the 'Aussiedler to "return

He pointed to the additional hurden placed on the social welfare system at a time when the official number of unemployed is more than 4.3m. Last year, the federal authorities

allocated DM4bn (£1.7bn) to

Union, mainly Kazakhstan. cover retraining, social welfare it's like to be a German who is came Stalin," said Mrs Ertl. Among the previous year's costs and bousing assistance introduced to be German, she it's like to be a German who is came Stalin, said Mrs Ertl. The Volga Germans, like the for the Aussiedler.

Since 1950 more than 3.5m Aussiedler have settled in Germany. Successive post-war gov-ernments, bound by the Constitution, kept the door open to those ethnic Germans deported by Stalin, those who fled eastwards from Hitler and those caught on the wrong side of the political divide after 1945. But the political climate is changing as the SPD and other parties use the Aussiedler debate as a populist weapon to win votes in pending state elections, and as a move towards the introduction of an immi-

gration law this political debate. "The polisays. "They don't understand what we have gone through."

The Ertls, like thousands of other Germans, mostly farmers and craftsmen from regions including Baden-Württemberg and West Prussia, settled in the Volga region at the invitation of Catherine the Great -herself German-born - in the 1760s. In a move to develop Russia's backward agricultural sector, the empress granted the ethnic Germans privileges including exemption from taxes - and considerable political autonomy.

The privileges were gradumation law.

Mrs Ertl has little interest in nic Germans' status as free this political debate. "The politicians do not understand what nated by serfdom. "And then

Crimean Tatars, Chechens, Ingush and other minorities, were deported en masse to Siheria and Central Asia in 1941. "Stalin thought we were Nazi coliaborators. We were deported to Kazakhstan. There, we were often called fascists. I never felt at home," said Mrs Ertl. who refused to give up speaking her mother tongue. The parents of Paul Heilfuss had been deported to Kazakh-

stan as well. Paul, now 39, decided in 1991 he did want not to remain there. "We had no real problems. My wife, Lydia, was a bookkeeper and I was a locksmith. We had good jobs. "Bot after the break-up of the Soviet Union, the Kazakh

and an additional DM900 for himself and his wife. But unlike Mrs Ertl, Paul

Players' union takes dispute with soccer authorities to the brink

Italian football heads for strike

By Andrew Hill in Milan

Italy, where national pride and political fortunes often seem inextricably linked to soccer prowess, is beading towards its first ever soccer players' strike.

Soccer and sporting authorities meet today io Rome in emergency session in an attempt to avoid the abandonment of this weekend's fixtures in Italy's Serie A - the top division in the league. which is followed by soccer

fans around the world. Italian strikes in all sectors are often called off at the last moment, and the authorities point ont that players have threatened not to turn ont several times in the past, only to be persuaded on to the field before the kick-off.

But Italy's soccer players' union, the AIC, seems bent on taking this dispute to the brink, after months of discontent about the league aothorttles' alleged failure to consult players about decisions affecting their livelihood. Gianluca Vialli, the Juven-

tus striker and AIC committee member, has been the most prominent backer of a hard line. The involvement of him and other highly-paid players has begun to draw the fire of critics, who are trying to create an atmosphere of popular discontent similar to that which surrounded the recent long-running strike of US

Il Giornale, the Milan-based daily newspaper, yesterday ran two pages on the issue, mostly critical, under the beadline "The millionaire strikers" - a pun which works only in English - drawing attention to Vialli's L8m-a-day (£3,350) salary. Il Giornale beppens to belong to the

brother of Mr Silvio Berlus-coni, the former Italian prime minister who also owns league-leaders AC Milan. The star players claim to be also standing up for their less famous colleagues in the lower leagues, including about 200 who have still not been paid hy a special federation fund after their clubs went bankrupt two years ago.

prepared to offer players a place on the national federation board, but the AIC has turned down an invitation to today's meeting. The players have a wider list

of demands, covering issues such as the application of the Bosman judgment by the European Court, freeing up the transfer of players across EU borders. The AIC wants the same principles to be applied to transfers within Italy. Newspapers pointed out yes-

terday that a one-day strike could cost a star player like Roberto Baggio of AC Milan as much as 1.37m - quarter of his monthly salary - but it would also bit the pools system, which pumps money into the The authorities may now be game.



Juventus star Gianluca Vialli: taking a hard line

EUROPEAN NEWS DIGEST

Spain cuts key interest rate

The Bank of Spain has reduced its key intervention rate to 8.25 per cent from 8.75 per cent in advance of a fall in the rate of inflation published yesterday. The reduction signalled the central bank's confidence that Mr José Maria Aznar, the centre-right leader, will be able to obtain a governing majority over the coming weeks after an inconclusive outcome to this month's general elections.

The cut brought the official rate down to its lowest level since the bank tightened its monetary policy following the

peseta's 7 per cent devaluation a year ago.

The decision anticipated the publication of February's price index, which showed headline year-on-year inflation falling. from 3.9 per cent in January to 3.7 per cent last month. Underlying inflation eased from 4.3 per cent year on year in January to 42 per cent last month.

Registered unemployment figures for February, also issued yesterday, showed a slight rise in the jobless total. An additional 5,124 registered as out of work last month to bring the total up to 2.43m - 148,585 fewer than in February 1995 and Tom Burns, Madrid 15.44 per cent of the labour force.

France freezes public spending



The French government FFr20bn (\$4bn) freeze in budgets allocated across all-ministries for 1996 as part of its plan to maintain public spending targets. Mr Jean Arthuis (left), economics minister, said the freeze would cover all departments but would not affect civil . servants' salaries, social expenditure or debt payments. He said it was imposed to maintain the budget deficit for 1996 at below FFr287bn. The government also indicated yesterday that tax receipts for

1995 would fall by 0.4 per cent from the level of FFr296bn collected in 1994. It said this reflected a substantial increase in tax deductions, including those for professional expenses and household help. By contrast, value-added tax receipts rose by 2.6 per cent last year before the effects of the 2 per cent increase in the tax.

Mercedes plans third shift

Motor group Mercedes-Benz said yesterday it had reached a landmark agreement with its workforce in southern Germany which would permit the company to work three shifts instead of two and create the "conditions for production which is competitive on a global basis". In return for concessions from the workforce the company said it would guarantee 17,000 jobs at four plants near its headquarters in Stuttgart until 2000 "in so far as this is possible on the basis of current plans".

The agreement comes as management and workforces across Germany are discussing what can be done to safeguard jobs as part of the so-called "alliance for jobs", an initiative launched by the IG Metall engineering union last autumn. The alliance itself, however, seemed to have come to a standstill in recent days after employers complained that they could not create jobs if workers were pushing for pay rises of up to 6 per

Union representatives at Mercedes said workers would also be prepared to give up their hourly five-minute break in so far as this was possible through such measures as group working Mr Helmut Lense, the head of the employee council at the Unterturkheim plant, said the agreement was a model for other Mercedes plants in Germany. Michael Lindemum, Bönn

Mitterrand book ban may end

The book written by the late François Mitterrand's doctor, The Great Secret, will go back on sale in a month's time unless the former president's family lodges a new complaint, a French court ruled yesterday.

The Paris appeals court upheld an order in January banning sales of the book written by Dr Claude Gubler two days after it was published, following a complaint from the Mitterrand family that it represented a violation of their privacy.

Mrs Danielle Mitterrand, wife of the late president, said recently that she had not intended the book to be banned - a tactic never adopted by François Mitterrand against critical books written while he was alive. The book said that Mitterrand's cancer had heen diagnosed only months after his first election as president in 1981, and that latterly he was so obsessed with his illness that he could not carry out official

Slovenia rejects debt deal threat

The Slovenian government reacted angrily yesterday to the threat of legal action by the rump state of Yugoslavia (Serbia and Montenegro) aimed at halting its foreign debt deal with the so-called London Chub of 400 commercial banks. It attacked the "irresponsible manoeuvres of the Serbian banks" and said that it would proceed as planned.

Slovenia is in the final stages of implementing an agreement with western banks which will extricate it from the problems

of the debts amassed by former Yugoslavia and allow it to build an independent presence in international capital markets. On Tuesday the western banks received a letter from US lawyers representing the National Bank of Yugoslavia and three Serbian banks warning them against accepting the Slovenian bonds. Kevin Done, London

World Bank to admit Bosnia

The World Bank has agreed to admit Bosnia-Hercegovina to membership before the country pays off its share of the formers Yugoslavia's debts and arrears to the organisation.

Following the precedent set for admitting Bangladesh in 1975, Bosnia's arrears and other debts owed to the bank will be consolidated into a new 30-year loan from the organisation, probably exceeding \$550m. The World Bank traditionally does not participate in debt rescheduling agreements or allow countries to borrow from it if they are in arrears.

Bosnia is likely to become a member of the bank in the next

Bosnia is likely to become a member of the bank in the next few weeks, which should pave the way for it to receive around another \$400m over the next four years from the International Development Association (IDA), the bank's soft-loan arm. Some members of the World Bank board were concerned that Bosnia would receive far more support per head of population than other recipients, although other members thought the Bosnians should receive even more from the scheme. However, it is not yet clear how much money IDA will have to

Romania removes bank's bosses

The Romanian central bank said yesterday it had sacked the president and other leading staff members of Dacia Felix, one of the largest Romanian commercial banks, and had banned them from working in the banking sector management for five

It also said it was stepping up its supervision of the bank and restricting its activities to a minimum.

In spite of warnings, the bank had continued to violate banking regulations, especially in its credit and foreign exchange operations. The central bank placed the bank under supervision last year and provided emergency loans after it experienced liquidity problems.

The bank, based in Transylvania, was founded in 1991 by entrepreneurs, including members of the Romanian National Unity party, the junior coalition partner in the government. Until last year the bank was regarded as one of Romania's most successful private businesses. Virginia Marsh, Budapes

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By Michael Lindemann in Bonn

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Mr Theo Waigel, Germany's finance minister, yesterday capped the amount of money government departments are allowed to spend without his approval. His move is an effort to counteract an increase of up to DM14hn (\$9.3hn) in the planned DM60bn hudget deficit

From tomorrow, spending decisions over a certain size will require Mr Waigel's personal approval. The threshold varies according to the type of expenditure, ranging from DM500,000 for administrative expenditure to DM5m for military procurement and construction projects.

The finance minister refused to say how much bigger the overrun on this year's budget deficit might be, but officials in Boun have indicated that it could be DM14bn higher than the DM60hn forecast last autumn. Mr Waigel said be would only give new figures when the government reviewed tax revenues in May.

An increased hudget deficit has become gradually more likely since the beginning of this year because the sudden slowdown in economic growth bas depressed tax revenues while increasing welfare spending because of the dramatic rise in unemployment, which last week reached 4.27m or 11.1 per cent of the workforce, a post-war high.

The government has forecast economic growth of 1.5 per cent this year, down from earlier estimates of 2.5 per cent.

The cap on spending is a fur-ther emharrassment for Mr Waigel because it comes so early in the year, and just before important elections in three German states on March 24. The polls are hilled as a test for Chancellor Heimut Kohl's government about half-way through its current term.

Mr Waigel was forced to introduce a similar cap on all expenditure above DM1m last October, a measure which saved the federal hudget under the Maastricht criteria.



Waigel: talking tough during a Bundestag speech yesterday

The opposition Social Democrats (SPD) accused Mr Waigel of "cheating the voters" hy failing to introduce a supplementary budget, a step which would give parliament a proper insight into the state of the federal hudget.

"Stop the game of hide and seek and lay your cards on the table," Ms Ingrid Mattbäus-Maier, the SPD's budget spokesman, told Mr Waigel during parliamentary question time yesterday afternoon.

The finance minister said be would persevere with what he described as "precise and steady" financial policies designed to ensure that Cermany meets the 3 per cent budget deficit target permitted

However, the criteria include the entire public sector deficit. including expenditure at state and municipal level.

Mr Waigel yesterday announced plans to offer the state's 74 per cent stake in the mining company, Saarbergwerke, to Ruhrkohle for a symbolic one D-Mark to help both companies to develop further and to create competitive jobs, Reuter reports from Bonn.

He expected annual savings of around DM40m from the merger of Saarbergwerka and Ruhrkohle,

It would also strengthen employment prospects for the region, said Mr Waigel. The merger would guarantee that government aid would be better utilised towards helping

Waigel tightens rein Yeltsin widens net for scapegoats

By Chrystia Freeland and Robert Corzine in Moscow

Russian President Boris Yeltsin's search for political scapegoats appeared to intensify yesterday - Jost three months ahead of presidential elections - amid rumours that the defence minister, General Pavel Grachev, could soon be sacked and new allegations that leading reformers could be guilty of corruption.

Mr Anatoly Chnhais, the architect of Russian market reforms who was dismissed from his post as deputy prime minister earlier this year, is again emerging as one of the chief victims of the new round

In an internal Kremlin document, Mr Chubais was accused of verbally ordering that gov-

ernment funds be channelled through commercial banks. The private hanks allegedly delayed onward payment, enriching themselves but at the same time creating the tremendons wage arrears that are one of the biggest sources of the government's low

The charge was made last month in a report for Mr Yeltsin prepared by Mr Nikolai Yegorov, the president's recently appointed bardline chief-of-staff.

popularity.

Mr Evgeny Yasin, the minister of the economy and one of the few bherals left in the government, yesterday confirmed that Mr Yegorov's brief had accused leading reformers of corrupt actions. But be said that greater discipline within the government was needed and did not see Mr Yegorov's him. That lukewarm endorsereport as the beginning of a witch-hunt.

However, Mr Yasin, who was one of Mr Chubais' most reliable allies in the cabinet, also conceded that the Kremlin wight be forced to make sacrifices to avert a communist victory in the the June presidential ballot.

"The stakes are so high that the president must take decisions even if they are unpleasant for specific people," Mr Yasin sald.

Gen Gracbev, the minister of defence, is emerging as another whipping boy. A senior presidential adviser yesterday offered little support for the beleagured general, telling reporters that he could "see 50 arguments for and 50 arguments against" sacking

ment is likely to raise further questions about the future of Gen Grachev, who, as one of the architects of the disastrous war in Chechnya, has come under intense fire from political opponents who have suggested that the minister

sbould he dismissed tn improve Mr Yeltsin's re-elec-

tion chances. Itar-Tass, the state-controlled news agency, reported earlier this week that "Boris Yeltsin is being told more and more firmly that he cannot win the presidential elections

with Grachev dragging the

who said over the weekend

weight of Chechnya".
That political sideswipe followed a more direct hit from Mr Oleg Soskovets, the inflnential deputy prime minister

that an increasing number of advisers were urging Mr Yeltsin to sacrifice his unpopular defence minister ahead of the June presidential ballot.

The cahinet infighting bas growing fears within the government that the communists might win the presidential

elections. "I wouldn't say it (a communist victory) is inevitable, hnt the likelihood is pretty high,"

Mr Yasin said. "We have to make very great efforts to win," he added.

Earlier this week, Mr Boris Nemtsov, the governor of Nizhny Novgorod region and one of the country's most prominent reformers, said a communist trinmpb was "unavoidable".

Milosevic's long march to Socialism

By Laura Silber in Beigrade

erhian President Slobodan Milosevic is nothing if not flexible. Hav-ing played the card of Serb nationalism, then presented himself as a peacemaker in Bosnia, he has now donned another mantle from his past the ideological Socialist.

Aided by his wife Mirjana Markovic, who never abandoned the Marxist camp. Belgrade's strongman is renouncing the "nationalist excesses" of the past and praising China as a model of authoritarian Socialism. And to judge by the latest signals from the shadowy world of Serhian politics, this tactic seems, so far, to be working.

This month has seen two of the higgest and noisiest political events in Belgrade since the collapse of Communist Yugoslavia: a congress of Serbia's ruling Socialist party, and the first serious

anti-government rally since 1992. While holding any protest in this toughly policed state demands boldness and ingenuity, observers were struck by the smallness of the crowd - little match for the confident mood of the Socialist

posts changed hands - with communists ousting nationalists.

In style as well as content, the gaudy and lavish congress - entitled "Serbia 2,000" - a step into the new century was intended to celebrate the presi-

'We want Serbia's flag flying at the European Parliament, not the Chinese flag in Belgrade'

congress a week earlier. Ahout 15,000 dept's journey hack to the future. people, chanting slogans like "red bandits" and "Slobo, Saddam" took part in last weekend's demonstration while riot police stood by.
This compared with crowds of 70,000

for anti-Milosevic rallies four years ago. The president, by contrast, seemed more confident than ever at the Socialist congress, where he ensured that about two-thirds of the party's leading

Instead of playing the Serbian patriotic songs he once favoured, Mr Milosevic and his flock stood to attention for the

Communist hymn, the Internationale. Ms Markovic laid the ground for her husband's about-turn. She is leader of the Yugoslav United Left (JUL) movement, a curious but powerful mixture of Communist industrial managers, sanctions-busters and fellow Marxist professors. JUL does not bave a single seat in parliament but has provided more than half the ministers in government.

Opposition parties bold nearly balf the 250 seats in parliament, but have been marginalised by the regime's control the media and business. The most popular regime in the slanted state press is Beijing. This new authoritari-anism has dashed any hope among Belgrade liberals that peace in Bosnia, and the lifting of UN sanctions, would pave the way for their country's re-entry into the European mainstream.

Mr Vuk Draskovic, one of the more credible figures in Serbla's struggling opposition, summed up the feelings of his liberal compatriots when be told last weekend's rally: "We want the Serbian flag flying in front of the European Parliament, not the Chinese flag in Belgrade." For now, the former seems even less likely than the latter.

Squillante affair link with Berlusconi camp

By Robert Graham in Rome

The ramifications of Tuesday's arrest of a senior Rome judge hy Milan anti-corruption mag-istrates spread yesterday to engulf key figures linked to former Premier Silvio Berlusconi and his Forza Italia move-

The linkage of the affair to the Berlnsconi camp has injected a highly unpredictable element into the campaign for the April 21 general elections just getting under way.

This in turn has led to accu-sations of political motivations behind the arrest on as yet unspecified charges of corruption of Renato Squillante, 71, who was in charge of all the judges of first instance in the Rome judiciary.

Mr Squillante, one of the

best known figures in the Rome judiciary with contacts in the political establishment, cinema and sport, is alleged to have accepted bribes to alter the course of justice in at least two cases in 1987 and 1988. Mr Squillante'a lawyer said yester-aday he was still unaware of the

facts behind the accusations. In a separate but connected

move, Mr Cesare Previti, defence minister in the Berlusconi government and the Rome lawyer for the former premier, lodged a formal complaint in the Rome courts both at Mr Squillante's treatment and against reports that he too was under investigation in the

same case. -Mr Previti, a friend of Mr Squillante, said reports of his alleged involvement were linked to the onset of the election campaign.
Mr Previti said he had yet to

be notified of being under investigation. He denied that Mr Attilio Pacifico, a lawyer arrested on Monday on charges of aiding and abetting in the Squillante affair, had ever worked in his law firm.

When the Berlusconi government was formed in May 1994, Mr Previti sought to be justice minister. He ls already under investigation by Brescia magistrates for alleg-edly seeking to undermine the activities of Mr Antonio Di Pietro, the best known of Milan's

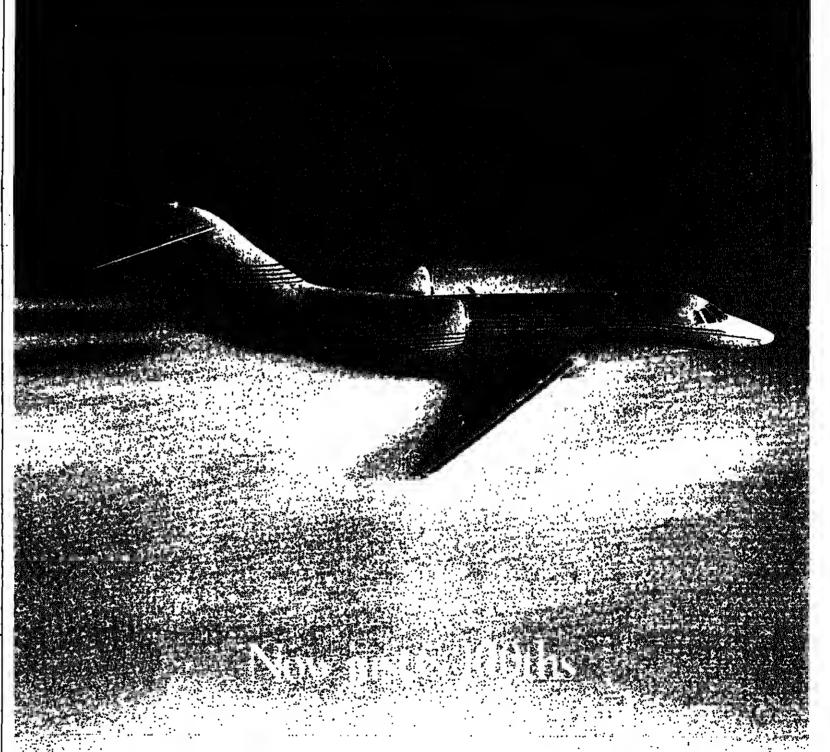
anti-corruption magistrates. Since the corruption scan-

dals were first broken by Milan magistrates in 1992, leaks about the charges have quickly filtered into the press. On this occasion, these chan-

nels have been silent, except to leak Mr Previti's alleged involvement and cite Ms Ste-fania Ariosto, acknowledged companion of Mr Vittorio Dotti, head of the Forza Italia parliamentary group and a top lawyer for Mr Berlusconi's Fininvest husiness empire, as a key witness in the Squillante

Ms Ariosto yesterday con-firmed in an interview with Ansa, the national news agency, that she had given evidence to Milan magistrates. She said she had received numerous threats and for the past eight months had been given special police protection.

Yesterday, there was no suggestion Mr Dotti, her companion of eight years, was involved in her depositions to magistrates even though he is a political rival of Mr Previti within Forza Italia.



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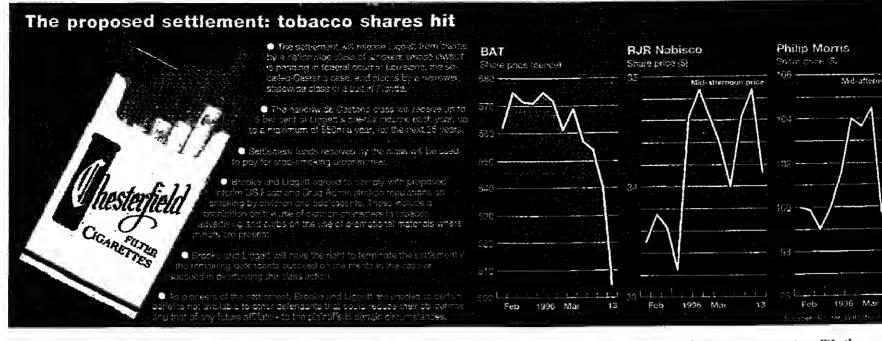
ost figures to do with the US tobacco industry tend towards the mind-boggiing. Smokers in the US bought 485hn cigarettes in 1994, the last full year for which figures are available; domestic cigarette sales that year were worth \$45hn; and scientists estimated that more than 400,000 US citizens died of tobacco-related ill-

And how much would the tobacco industry have to pay out if it acknowledged responsibility for smoking's effects on society? So far it has never given out a penny in damages: hut the total value of lawsuits currently being brought against the industry runs into tens of hillions of dollars.

Until now, US tobacco companies have stood side hy side in vowing to fight and defeat every lawsult brought against the industry. But in an historic move yesterday. Liggett, maker of Chesterfield and a range of cut-price, private label cigarettes, said it was ready to break ranks and cut a deal with anti-tohacco

In the past, cigarette companies felt in no need of a deal because juries took their side when smokers aought compensation for health damage. The health hazards associated with smoking were so well known, juries said, that anyone who took up the habit automatically accepted the risks.

But the industry now faces a new type of lawsuit. In the Castano case, named after one of the plaintiffs, lawyers are seeking compensation on hehalf of all present and former smokers not for



their addiction - including a refund of all the money they have spent on

Separately, another novel approach is heing tested by five states that are suing the tobacco industry for the costs of treating smoking-related diseases under public assistance programmes such

Liggett's proposed deal would settle both types of litigation. In the Castano case, the company has signed a provisional agreement with the plaintiffs' lawyers to pay out 5 per cent of its pre-tax profits up to a maximum of \$50m a year for

the next 25 years. The money will go not to individuals, but to programmes aimed at helping people to stop smoking.

In the case of the states, the company is negotiating a deal under which it will pay 2 per cent to 7 per cent of pre-tax income towards their smoking-related healthcare costs over the next 24 years, the precise figure depending on how many states join the settlement. There will also be an up-front cash payment.

Significantly, the same terms will apply if Liggett should merge with any other company that has less

than 30 per cent of the US market. This would exclude Philip Morris, which is much richer than the other companies and would probably he expected to pay out more; but it would include RJR Nabisco, the second biggest US tohacco

Explaining the move yesterday, Mr Bennett LeBow, the US financier who controls Liggett through his investment vehicle Brooke Group, said: "The tohacco industry has lived for too long with the possibility of financial catastrophe from product liability lawsuits that could destroy the industry."

However, industry analysts saw the strategy as a clear attempt by Mr LeBow to improve his chances of seizing control of RJR Nahisco and spinning off its food husiness, a strategy he has been pursuing since RJR Nahisco has consistently

argued that a spin-off of the food husiness cannot be achieved at present because anti-tobacco plaintiffs with litigation pending against the group would take legal action to prevent it, claiming that the group was trying to protect In principle, Mr LeBow's move

appears to nullify those arguments hecause the threat of litigation would disappear if RJR Nahisco would disappear it kilk Nanisco were to sign up to an out-of-court settlement. In addition, the plaintiffs have agreed that if RJR Nahisco joins the deal, they will not seek to block a spin-off of the food

If Liggett and RJR Nabisco were to sign up to a deal, nther companies could come under pressure from their shareholders to follow suit. One calculation they would certainly ha obliged to make is whether it would be cheaper to accept a settlement along Liggett's

ing the nation, Mr Zedillo

ordered the Supreme Court to

Figueiroa orchestrated several

in his support at the weekend.

On Tuesday he resigned and was replaced by Mr Angel Aguirre Rivero, the president

of the Guerrero state PRL who

owes his political career to the Pigueiroas. Mr Figueiroa's departure is expected to

weaken an alliance of hardline

PRI governors who resent Mr Zedillo's attempts to instill

greater accountability in a

party that has been in power

In the oil-rich state of Tahasco on the Gulf Coast, Governor Roberto Madrazo has been fighting for his political life following allegations that

he spent \$70m - 60 times the

legal limit - in his election

campaign two years' ago.
With the defeat of the gover-

nor of Guerrero, Mr Zedillo stands a better chance of entic-

ing national opposition parties

to talks on modernising

Mexico's political system. The

machinations of rehel gover-

nors, however, and the hostil-

ity of much of the ruling party to changes that diminish their

powers of patronage, will con-

spontaneous" demonstrations

take over the investigation. In a final act of defiance, Mr

lines than to carry on fighting the lawsuits. Their annual costs in legal fees, although not in the public dnmain, are thought to be vast. WHILE THE PARTY OF

However, a settlement would also carry hig risks. On the plus side, the terms of the agreement in the Castano case would protect Liggett from all future addiction-based claims. But there would be nothing to stop lawyers thinking up new grounds for lawsuits against the industry, and its defences would be weakened once the principle of product liability had been

Perhaps not suprisingly, most of the big US tobacco companies were firmly rejecting the idea of a settlement yesterday. Philip Morris said: "We remain confident in the strength of our litigation position, and we intend to fight and win all of the cases in which we are

Brown & Williamson, BAT Industries' US subsidiary, said based not on legal merits but on its continuing merger battle with

Ms Diana Temple, a tobacco industry analyst at Salomon Brothers, the Wall Street investment house, predicted that Mr LeBow's move might even have weakened his chances of winning control over RJR Nabisco. "He will be percaived as willing to trade away a percentage of RJR's profits and destroy the industry's decades of take-no-prisoners litigation approach for his personal gain," she

Reforms may be watered down in Brazil

By Angus Foster in São Paulo

The man overseeing Brazil's troubled social security changes wants to strip the reforms of nearly all their controversial points in the hope of winning speedy approval in

The government has yet to make a decision but if it approves the watered-down version it is likely to he criticised for backing down on its commitment to modernise Bra-

Mr Michel Temer, the congressman put in charge of negotiating the reform after a government-approved package of changes was rejected last week, sald some proposals were too controversial to pass. He would push for the approval of a "possible" rather than "desirable" reform. Presi-dent Fernando Henrique Cardoso has said since proposing social security reform over a year ago that change was needed to stop costs rocketing.

The public-sector pension system is inequitable, paying huge pensions to special interest groups such as judges and congressmen and allowing early retirement. For example,

senate president José Sarney receives a pension of more than \$15,000 a month from his previous government johs, against the minimum wage of

Mr Temer said reforms of the public sector rules were unlikely to pass in Congress, and suggested a two-year delay. In that time, rules governing the social security system, which are included in the constitution, should he replaced by normal legislation. which needs fewer votes to amend in Congress. Mr Temer proposed to allow continuation of special retirement rules for judges and school teachers, some of whom can retire after

only 25 years' work. Mr Cardoso may not respond to the proposals before returning from Japan on Friday. Following last week's defeat, the government wanted to put the social security reforms back on track quickly but was hoping Mr Temer's proposals would be more amhitious.

Foreigners hope Mr Car-doso's popularity will help him confront Brazil's Congress. If he backs down, tax and civil service reforms may he in

Zedillo brings his caudillos to heel

The era of the Mexican local party boss is drawing to a close, writes Leslie Crawford

or as long as Mexicans can remember, the state of Guerrero on the the Figueiroa clan. Grandfather Figueiroa was a warlord during the Mexican Revolution. Figueiroa senior governed his home state during the 1970s, where he is remembered mainly for crushing an armed peasant uprising. His son. Rubén Figueiroa Alcocer, inherited the mantle in 1993. The dynasty was toppled by

President Ernesto Zedillo on Tuesday with the resignation of Governor Figueiroa, who is suspected of ordering a massacre of leftwing peasants in Guerrero nine months' ago. Mr Figueiroa's capitulation

represents an important, if tardy, victory in President Zedillo's campaign to transform his rebellious lieutenants into law-ablding citizens.

The governor's stuhhorn attachment to power - in the face of evidence that seemed to link him to the killings - had begun to undermine Mr Zedil-lo's authority. For the remaining 26 governors of the ruling Institutional Revolutionary Party (PRI), Mr Flgueiroa's "definitive leave of absence" the Mexican euphemism for summary dismissal - has sounded a warning to hegin running their states more like public servants and less like overiords of private fieldoms. Shortly after the deaths of 17



Zedillo: the stubbornness of a dynasty was seen to be undermining his anthority

peasants in a police amhush in the hills north of Acapulco last June, the government of Guerrero released an edited video-tape of the incident in which hands. Mr Figueiroa accused the peasants of attacking police first and of being memhers of a radical leftwing organisation. He denied any responsibility in the affair. An investigation by the National Human Rights Com-

mission, a federal government

agency. subsequently con-

been planted on the corpses, that important evidence had heen destroyed by the authorities, and that videotape of the the peasants appeared with shootings had been doctored. guns and machetes in their The commission recom The commission recommended the dismissal of sev-

eral senior officials in Mr Figueiroa's government, including the state attorney general and the chief of police, although it stopped short of incriminating the governor. Mr Figueiroa was ordered to appoint an "independent" pros-

ecutor to investigate the inci-

cluded that the weapons had dent but the inquiry limped along while the widows of the victims reported death threats, and leaders of the leftwing Revolutionary Democratic Party (PRD) continued to denounce cases of political assassinations, torture and "disappearances" in Guerrero - a state wracked by land con-

> traffickers. President Zedillo chose not to intervene in the affair, arguing that it was a case for the slate judiciary to resolve. Last

flicts and the violence of drug

week, however, after two tele-

US output growth 'moderate' vision networks had screened an unedited 16-minute videotape of tha massacre, horrify-

Editorial Comment, Page 13

The US economy grew modestly in January and February without putting upward pressure on inflation, the Fed-eral Reserve said yesterday in a reassuring "beige hook" analysis of regional trends.

"Over half the districts cite moderate economic growth or continuing solid levels of economic activity. Most of the others mention recent improvements, largely reflecting rebounds from weather-related slowdnwns earlier in the year," the report says.

However, the Fed's regional banks saw little evidence of inflationary pressures. Retail prices were rising "mily slightly if at all". Commodity prices were "steady, stabilis-ing, or increasing very little." Wages were "increasing at a modest pace".

Retail sales were weak nearly everywhere in January but most areas said activity picked up last month.

Manufacturing activity was mixed but "fairly flat on average". More than half the districts reported gains in some industries or sub-regions, but the Boston, St. Louis, Minneapolis. Kansas City and Dallas districts said nutput was either flat or growing mure

Senator Bob Dole has now won 20 Republican primaries in a row...

Faltering Forbes campaign on critical list after Stupor Tuesday

prepared to admit the imminence of political mortality yesterday in the wake of Senator Boh Dole's clean sweep of the seven Republican primaries held on But the cold fact is that

election politics now enter a period approximating suspended animation for a good four months. The front-loaded primary season is to all intents and purposes over and the party conventions are not being held until the second half of August, much later than usual to avoid conflict with the Atlanta Olympic Games.

What suspense there is now centres on how the majority leader and President Bill Clinton stake out the ground of their political and personal rivalry ahead of their presumed confrontation in November.

On the more immediate front, Mr Forbes, the magazine puhiisher, who could only manage one second place finish (in Florida), said that without "a major hreak" in one of the four Midwest primaries next Tuesday, "this campaign will have to come to a

That was enough of a cue for

"Mr Dole is finding out that 40-50 per cent of the Republican Party wants us to stay in the race and does not want Boh Dole as the nominee," the conservative commentator said.

Mr Pat Buchanan to welcome also relieve pressure on his the prospect of a straight race with the majority leader.

also relieve pressure on his the largest contested states, he already close to its permitted scored 56 per cent, with his heat result proving to be S7m ceiling.
The California primary on
March 26 should give him the

handful of delegates he will prohably then need to nail down the nomination. A

hest result proving to be Mississippi with 61 per cent. Mr Buchanan finished second everywhere but Florida.

The downside came in the down the nomination. A form of a very low voter withdrawal hy Mr Forhes turnout, which had heen

The focus now shifts to the rivalry between Senator Dole and President Clinton ahead of the November election, reports Jurek Martin

wishful thinking. Mr Buchanan, now attracting smaller crowds and reduced to commercial flights rather than a chartered campaign jet, must know that few supporters of the free market, pro-choice Mr Forhes have much sympathy for his own protectionist, anti-abortion

ln interviews published yesterday. Mr Dole seemed positively to welcome the fact that he would soon be able to return mostly to Washington congressional husiness and the task of planning his battle against Mr Clinton. This will

This hravura conceals some next week might render predicted after Mr Dole's rishful thinking. Mr California technically victories on the previous 10 superfluous, hut Mr Dole is unlikely to pass up the chance to campaign in the higgest state, where Mr Clinton currently holds a 20-point opinion poli lead over him.

Mr Dole's Super Tuesday sweep, making 20 primary victories in a row, netted him about 340 more delegates and put him three quarters of the way to the 996 needed to hecome the nominee.

lt was his most conclusive primary performance to date. Only in Louisiana did he fail to top 50 per cent of the popular

victories on the previous 10 days and which had given the primaries the nickname of Stupor Tuesday. Exit polls also demonstrated muted enthusiasm for him as a

presidential candidate. He must remedy that in the coming weeks, mostly from his Washington base and mostly hy focusing his fire on the man in the White House at the other end of Pennsylvania

The personal relationship between Mr Dole and Mr Clinton, mostly forged in their protracted hudget negotiations. is quite good. The majority

interviews that Mr Clinton had "quite a good grasp of the issnes" and, like himself. preferred compromise, "no bad thing in my book." He added: "We don't scream and holler at each other."

Mr Dole likes the cut and thrust of Washington. As he told the New York Times, "we have about 80 legislative days left and a lot to do - balanced hudget, term limits, line-item veto, Medicare, Medicaid. In this atmosphere, it's going to he difficult to get it done."

He thought a halanced hudget agreement that "lets him win. lets us win, just a little each" was achievable. But, as RW Apple pointed out in the New York Times, there ls an inherent risk in the majority leader's apparent approach

"Mr Dole will have to find some way to deal with Mr Clinton on legislative husiness in private while making the case in public that he should he replaced. That is not an easy circle for anybody to

Still, having proven himself, after some early stumbles, on the campaign trail, Mr Dole is hack on the familiar streets syntax is comprehensible.



California, the nation's most populous state and where Dole could well gain enough delegates to push his count over the \$96 pageded to secure his committee. Votes also take place in Westhington white \$36.

and Nevada (14).

S. April/May Primary elections continue in a period of state and United State.

August 12-15- Republican party rations proming proposition. Ser Diego, California.

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NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

Japan's \$1bn for Brazil

Japan's Export-Import Bank yesterday announced more than \$1hn of united financing for Brazil, mainly for infrastructure projects. The announcement coincided with the visit to Japan of Brazil's Brazildant Francisco Happing Cordeso who is keen of Brazil's President Fernando Henrique Cardoso, who is keen to persuade Japanese companies to resume investment in

The financing is split between four projects. The biggest disbursement of \$450m will form part of a \$1.2bn loan, also backed by the interAmerican Development Bank and Brazil's transport ministry, to modernise the road linking the industrial centre of Sao Paulo with the country's sonth. Known as the "highway of death" because of its poor condition, the road runs to the state capitals of Parana and Santa Catarina and lies on one of the main routes from Sao

Paulo to its chief Mercosur customs union partner, Argentina. A \$300m credit line will be made available to Brazil's National Development Bank (BNDES). A further portion, worth \$200m, is in the form of financing for a metro system in the northern city of Fortaleza. Financing of \$48m will be available for roads in Tocantins state, one of Brazil'a poorest,

in a project which already has World Bank backing. The Exim bank is also talking to Companhia Vale do Rio Doce, Brazil's biggest mining company, about a \$200m refinancing of loans for the Alumorte alumina project. The project, stalled for several years because of financing problems, started operations last year and is due to reach its capacity of 1,100,000 tonnes a year in 1997.

Mr Cardoso was also due to meet Mr Nobobiko Kawamoto. president of Honda. The company is one of several Japanese car makers eyeing an entry into Brazil's rapidly growing car Annus Foster, Sao Paulo

Manila woos foreign investors

The Philippines government yesterday said it would speed up legislation to increase foreign investment in the country including protection of intellectual property rights, opening the retail sector to foreign competition and permitting foreign investment houses to own local mutual fund companies.

The government also unveiled tax incentives to encourage more multinationals to choose the Philippines as their Asia-Pacific headquarters and pledged to scrap the much-criticised Home Consumption Value method of calculating tariff charges on imports. Bowing to pressure from the US and the European Union the Philippines would shift to the less punitive Transaction Value form of calculation which is the international norm.

Among inducements for companies to relocate their headquarters to Manila was extension of visas from one to three years, 10 per cent income tax rates, incentives for companies to set up management training centres in the Philippines and repeal of the uniform value currency act.

Last month Citibank said it would move its Asian training centre from Singapore to Manila citing the improved

ABB wins Russian power deal

ABB Asea Brown Boveri, the world's largest power engineering group, has won a \$100m contract from Omskenergo, an electric utility in Omsk, to refurbish its HPP-9 power station in co-operation with Russian power engineering companies. The project involves replacing an energy wasting, oil fired plant in a polluted part of Russia with new technology 55MW gas turbines.

"It is good for the environment and good for the Russian economy. It will pay for itself in less than two years," said Mr Percy Barnevik, ABB chief executive. The turbines will be made at ABB Nevsky, a joint venture in St Petershurg. The generators will be by Sila, another St Petersburg company in which ABB has a stake. Ian Rodger, Zurich

Vodka move 'breaks spirit of trade deal'

By Emma Tucker in Brussels

The European Commission yesterday strongly condemned Russia's decision to raise minimum import prices for vodka from the EU just six weeks after an EU-Russia trade agreement came into force.

Brussels said the "discriminatory" move could undermine EU support for Russia's application to become a member of the World Trade Organisation.

increase in minimum price marks a clear break from the spirit and purpose of the trade agreement with Russia which entered into force oo February

1, 1996," the Commission said. Russian vodka makers have been suffering from a flood of foreign vodka imports, mainly from the former Soviet states. The move to raise minimum import prices is viewed as an attempt by politicians to court public support before

As nf yesterday the minimum price for each litre of imported vodka from the EU rose to \$8.20 compared with \$3.80 per litre on imports from former Soviet republics. In the first eight mooths of this year, the EU exported Ecu150m

(\$187m) of vodka to the EU. A Commission spokesman warned that the EU might bave to review its support for Russiao applications to join not just the WTO, but also the

Organisation for Economic tiated interim trade agreement Co-operation and Development. between the EU and Russia We know that Russia would like to join the OECD and the

WTO and the Commission is basically positive," he said. "However, these kind of unilateral measures are not compatible with that approach."

Brussels added that the move also sent out a poor sig-nal to foreign investors, already cautious about investing in Russia. Last mooth a lengthily oego-

came into force. It aimed to place trade links between the EU and Russia on a new and stronger footing as part of efforts to underpin the reform

process in Russia. The EU won improved access to the Russian market for goods such as cars and alco-bolic drinks while a range of import restrictions were curtailed. Russian exports were granted better access to the EU

tions and the curtailment of anti-dumping measures and safeguard clauses.

The agreement is supposed to lead to a free trade area between the EU and Russia, and improve trade in services

and capital. Mr Hans van den Broek, EU commissioner responsible for relations with the former Russian measures in Moscow

Finding partners in the Mormon state

British IT executives found an unexpected brotherly reception in Utah, reports Christopher Parkes

he scales fell from David Holmes's eyes during a fleeting trip to Utah last week. Despite the torture of a 20-bour budget-class flight from London, via San Francisco, the managing director of Paragon Software Systems found himself feeling unexpectedly comfortable in the alien

confines of the Mormon state. "People always told me I'd lose my shirt if f tried to do business in the US," he said. That was still possible. But within a day of his arrival at a corporate matchmaking seminar in Salt Lake City be found himself contemplating a vista dotted with at least as many opportunities as pitfalls.

"Just being here has made me feel 'right' about the US. The people I've met have a cul-ture and a skills base similar to our own. They are almost like brothers in the information technology world. That's the point I'd missed when I'd thought about the States before.

One of 50 or so British executives from mainly small and medium-sized IT companies travelling courtesy of the UK government, he bad been pitched headlong into a round of one-on-one meetings with potential business partners from Utah's flourishing IT industry. Hidden behind the natural

barriers of mountains, deserts and the Great Salt Lake, and long obscured by the exclusive nature of the Mormon religion, the state is bome to one of the fastest growing economies in the US.

The number of companies in the IT sector grew 16 per cent last year to 1,750, its workforce increased 8 per cent, and reve-

Average IT wage \$35,150 \$38,460 Average Utah wage \$22,400 \$22,584 IT revenues* more significantly, Salt Lake City was ranked by Forbes ASAP magazine - according to criteria including "high-end brain power" and "entrepre-neurial zest" - as the best

Enterprises

Employees

Growth in the state's information technology industry

1994

1,507

32,126

. 1,745

34,804

informatioo age businesses. But forging successful partnerships is a matter beyond the control of legislators and others routinely responsible for fostering enterprise. The point was heavily underscored by the presence at the seminar of senior executives from Utah's own computer networks specialist Novell, newly and expensively divorced from WordPerfect.

place in the US for nurturing

Mr Steve Markman. Novell's second-in-command, said in a rueful aside: "The issue is not finding partners: it's sticking with them.

Still, the expenditure of effort and management time involved in finding the right adhesive - be it complemenpatterns - was the best guar-antor of commercial success, be said. Rather than acquiring one another, high-tech companies were better advised to harness and share through partnerships the inventiveness, vision and energy common in

the sector, especially among

the smaller players. Even then, he suggested, the risks involved in anything less than a bargain where all partners shared equal beoefits could be daunting. "You can find yourself competing with your own technology boxed in someone else's box," be

Boxes of a different order were among the hazards previously encountered by Mr Jeremy Peckham, managing director of Vocalis, a fast growing Cambridge-based specialist in voice-operated telephony.

"The tick-box partnerships are the ones that don't work." be said. A man who spends more than balf his time on business development, Mr Peckham had had more than enough experience of companies looking to talk their way into such arrangements.

Rather than seeking active deals, they were interested only in being able to "tick" as many "boxes" as possible on their corporate prospectuses for purely cosmetic purposes. This was one way of pretending to third parties that they had command of a range of technologies or at least links with reputable specialist part-

Despite already having signed up one partner in New York, and continuing talks with a handful of others turned up by a Silicon Valley consul-

tancy, Mr Peckham, who last year did 80 per ceot of his business overseas, was in Utah doggedly pursuing his target: a wide launch this year in the US - "the big me for us".

Others, with less experience and more modest ambitions found success closer to hand. Mr Tony Coultas, sales and marketing manager for Imperial Computer Consultants of Grimsby, went bome well pleased with his first US sale. The £3,000 sale of a programme generator for band-beld computers also marked a breakthrough for Salt Lake's Radix company which had been

looking for a solution to a particular problem for three years. Radix, which routinely sells large volumes of portable machines to utilities for functions such as meter-reading. had been turning away smallvolume orders from other potential buyers because it had oo cost-effective means of writing a wide variety of individual

software programmes. In future, Mr Coultas said, Radix would be able to fill the hardware orders by including his product as part of the package. The irony was that imperial had previously made indirect but hitherto unfruitful contact with Radix through an intermediary. As other participants stressed, one of the most useful features of the seminar for Mr Coultas proved to be the opportunity for face-to-face contact at top level.

Mr Daryll Stewart, president of Utah's Dune Microsystems, was unsure if he had mada any immediately profitable con-tacts. But he had met as many as possible of the UK delega tion. "This is really CEOs talking to CEOs," be said. "Spending eveo five minutes with each company at that level creates a lot of potential

synergies. "First there's the question of what they have and if it fits with what we do. If not, there is still the question of whether we know people who could use

Last week be saw a 50/50 chance of doing a deal. Longer term, the odds shorteoed to something approaching absolute certainty - thanks to commoo language and common cultural roots. This is, after

all, really one market," he said. Starting from the point at which Dune initiated product research, be viewed the US and Canada as a single geographical unit. "And I look at the UK as an extension of the US." he

Discussion of the unfashionable notion of a "common" transatlantic market arose repeatedly. Mr Bill Wilson, head of Interactive Media Services did not find himself a partner. But he went home with a solution to a nagging data storage problem at his Leeds-based telecoms services

company, He estimated it could save him £50,000 ln immediate development costs alone. "Tve also found three potential sales opportunities among the UK people bere." he added. "The thing in the UK and Europe is that people tend to be overprotective of their interests. But then they come out bere

(\$m) (96 of production) price (\$fitre)

New wine exporters threaten to bottle up old producers

Alison Maitland reports on a world wine trade in ferment

Australia have soared in the past decade and will soon pose a serious challenge to European quality wine makers, according to a report by Rabobank, a Dutch bank specialising in food and agri-

The report shows that Australian wine exports jumped from \$20m in 1986 to more than \$200m in 1993 and predicts that they will reach \$700m by 2000. Exports of Chilean wine rose six-fold in six years to \$135m in 1994, while US exports climbed five-fold in eight years to

"The new wine producing countries will become serious competitors (of wastern Europe) in the near future, in particular in the quality wine segment," says the report.

European wines continua to dominate the \$8.5bn world wine trade. But Australia, the US and Chile achieved market shares of 2.6 per cent, 2.2 per cent and 1.6 per cent respectively by 1998, up from well under 1 per cent a decade earlier. South African exports are also increasing fast.

"It may still be marginal, but it's a beginning," said Mr Arend Heijbroek, the report's

author. He said Australia would be exporting 50 per cent of its production by 2000, compared with just 18 per cent in 1993. They're very market-oriented and very concentrated." Four companies in Australia

tected, the report says. Many small French chateaux are too restricted in output either to create brands or to supply the consistent, large quantities required by the dominant retail chains. By contrast, says the report, "production in tha new wine countries is flourishing because the companies in these markets use the most modern technology, which enables them to produce qual-

rine exports from new together have 75 per cent of exporters such as Australia have in Europe, wine production at the past decade and is fragmented and highly pro-

contributed to its good image," it says. "French traders are innovating in variety wines and good quality "vin de pays" wines which have fewer regulatory restrictions. This will give them new market opportu-The report is scathing about Germany's wine marketing

skills. Germany is the only European country to lose market share over the past decade,

Production in the new wine countries is flourishing because they use the most modern technology, enabling them to produce quality wines at a favourable quality/price ratio

ity wines at a favourable quality/price ratio".

Asian countries are expected to be the future growth markets for wine if they lower their import taxes and excise duties. But reductions in tariffs and export subsidies by the EU and North America under the Uruguay Round agreement are also encouraging the new wine producers to push further into

these markets. The average export price of wine has increased in the past 10 years as the taste for Champagne and quality wines has grown. France, the world's largest exporter by value, also when European exporters increased their domination of the international wine trade

has not contributed to improving the image of German wine in the international market," it

from 68 per cent to 85 per cent and the value of the market grew by 65 per cent. Germany has concentrated on exports of cheaper wines such as Liebtraumilch. "This

The average world export price for wine has almost doubled in the past 15 years. thanks largely to increases in French prices. But the average real export price of German

Spain has increased its wine exports since joining the EU in 1996 and now exports 37 per cent of its productioo, the highest export percentage in the world. Its average export prices are the lowest in the world, at 81 cents a bire in 1993. Its higher-priced wines go to the US and UK, while France buys its cheaper wines.

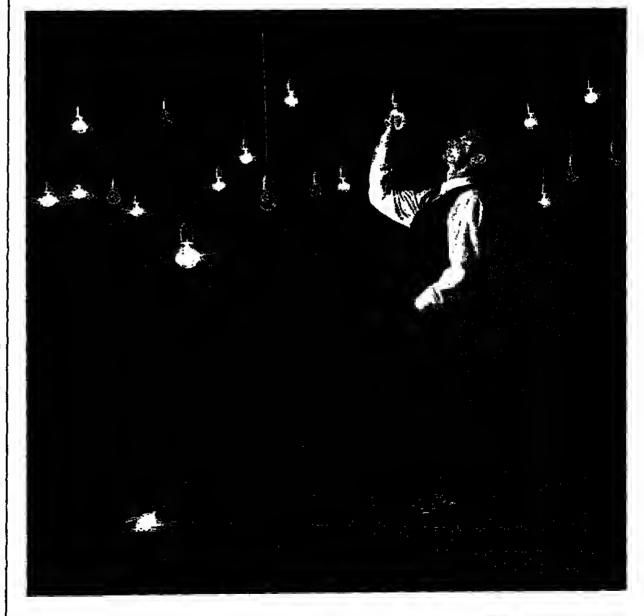
Americans pay most for their wine imports, buying the most valuable wines on offer from France, Italy and Spain and paying an average import price of \$4.35 a litre. A penchant for Champagne helps explain the high prices. The US also, unusually, has high duties on bulk imports, thus favouring higher-priced bottles.

The new wine countries, especially Australia and Chile, have made inroads into the US. achieving a combined market share of 8 per cent in 1993. They have also successfully entered the UK, where they quadrupled their sbare of market volume to 14 per cent by 1998 at the expense of traditional European suppliers.

They have had less success in Japan, one of the fastest growing wine importers of the last 20 years, where French wines have a 60 per cent share of imports.

The World Wine Business, Rabobank Nederland, Marketing Services, PO Box 17100. 3500 HG Utrecht, Netherlands. Tel: +31 30 2162804, fox +31 30

Bright ideas have always been the richest natural asset of our home state.

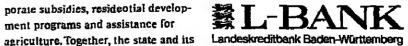


L-Bank is the development agency of Baden-Württemberg, one of Germany's most productive federal states.

Rich oil and natural gas deposits are something that Nature neglected to locate under the fertile soil of Baden-Württemberg. As if to compensate, the state has enjoyed more than its share of brilliant minds. Take Einstein - yes, he was born in Baden-Württemberg - nr Daimler nr Benz, for example. Thanks not least to the ingenuity of its residents, the state

for which L-Bank is also development agency bas long boasted one of the most powerful regional economies in Europe. L-Bank's role is in belp Baden-Württemberg to deploy its public assistance programs. These center on infrastructural improvements, corporate subsidies, residential development programs and assistance for

bank are helping to bring new ideas to light - lighting the way in even brighter perspectives for the future. L-Bank, Schlossplatz 10/12, D-76113 Karlsruhe, Germany. Telephone INT 721/150-0.



budget takes

no chances

UK charity linked to aid for suicide bombers | South Africa

By Julian Ozanne in Jerusalem and Clay Hams in London

Documents in the possession of Israeli police link interpal, a UK-based charity, with a Palestinian organisation whose head is under investigation for allegedly supporting the families of Hamas suicide bombers and other activists.

One letter from interpal. written in Arabic, confirms the transfer of \$50,000 to the Islamic Salvation Fund.

The other authorises the spending of \$20,000 for food for the families of prisoners and

were legal in Israel. pal, also known as the Pales-

cash to buy clothes for chil-dren at the festival of Eid, at the end of Ramadan.

received them, which he trans-

pending an investigation. in London, Mr Essam Mus-Until the measure is lifted, tafa, vice chairman of interpal, the charities regulator must who signed both letters under approve any transfer out of the name "Issam Yousef", coninterpal's accounts. Commission officials yesterday began their detailed investigation of firmed yesterdey that they were genuine. He said the charity that records at Interpal's offices in

lated as Islamic Relief Commit-Israeli security forces believe the letters provide evidence of tee, was Israeli-registered, and the payments - including those to families of prisoners a chain linking money raised by Interpal in Britain directly and indirectly with Hamas's The bank accounts of Intermilitary wing. They also allege that interpal co-ordinates the

north London.

activities of other fund-raising

Fund, have been frozen by the British Charity Commission groups in Europe. Mr Mustafa said yesterday he was not a member of Hamas: "I am not. I have nothing to hide. I am not one of

those people. The Islamic Salvation Fund is one of two Nazareth-based charities run by Mr Suleiman Agbariah, a 39-year-old Arah citizen of Israel Mr Agbariah is under house arrest on suspicion of channelling money from Interpal and other foreign organisations to the families of

Hamas terrorists. Until yesterday, Interpal had said it had no records of sending money to the charities

linked with Mr Agbariah. Israeli police say Mr Agbariah acted as a conduit for funds raised in Britain and Germany to Hamas and accuse him of channelling more than \$3m in the past four years. Israeli intelligence officials estimate up to \$12m is sent to

funds raised abroad annually. Police documents show that families of known Hamas guerrillas who died in operations against Israel received charity from Mr Agbariah's organisa-

Hamas from Britain each year

of the total \$70m of Hamas

One case concerns the family

of Mr Iman Salah Salame Attallah, a 20-year-old Palestin-ian who died after he drove his

one of Mr Agbariah's charities family saying that Mr Attallah, a member of Izz el-Deen al-Qassam, the military wing of Hamas, was a "moral youth" and a "martyr".

car packed with explosives into an Israeli military car, killing two Israeli soldiers. The attack occurred in the Gaza Strip on September 12 1993, a day before the Israeli-Palestinian peace agreement was signed in Washington. A field worker working for recommended support to the

R311.6bn, or 55.6 per cent of By Roger Matthews . GDP, compared with 56 per cent of GDP in the current in Cape Town The South African government year. The cost of servicing the

introduced a cautious budget yesterday aimed at reducing the fiscal deficit, providing tax relief to lower and middle income groups, and slightly

easing company taxation.
Mr Chris Liebenberg, the
minister of finance, said his aim was to build on the government's reputation for fiscal discipline, while paving the way for more significant budgetary reforms next year.

He warned parliament there was no escape from the harsh disciplines of international markets. "The sanction for stepping out of line politically. socially or economically is severe," he said. "We intend to steer well clear of any such

His decision not to raise value added tax from 14 per cent was welcomed by union leaders who had campaigned hard against the 1 percentage point increase urged by South Africa's biggest 50 companies. We will not be opening any champagne tonight, but nei-ther will we be taking to the barricades," said Mr Ebrahim

Patel, a union leader. Mr Liebenberg denied the government had succumbed to union pressure. He accepted that VAT was efficient and caused few economic distor-tions, but said it had a greater impact on the poor. "I am concerned at the perception that we have done a deal with the

unions. This is not true."

The minister also turned his back on appeals from husiness leaders for a cut in the hudget deficit equal to 1.5 per cent of gross domestic product. Instead he announced a target of 5.1 per cent of GDP, some R28.Sbn (£4.8bn), compared with 5.8 per cent last year, and the actual outcome of 6 per cent. This would bring total

projected government debt to

Lex comment, Page 14

hy raising R1.9bn from the sale of strategic oil reserves, R2.4bn from various tax measures. and R1.5bn in anticipated improvements in tax collection. He made no provisions for receipts from privatisation during the new financial year. There was some small relief for companies and the etock market with Mr Liebenberg announcing a cut in the tax on dividends from 25 per cent to 12.5 per cent, and a reduction of the tax on share dealings from I per cent to 0.5 per cent. Mr Liebenberg said these mea-South Africa more "investor friendly" and improving international competitiveness. However, more controver sially, be also announced the introduction of a new 17 per cent tax on the monthly gross interest and net rental income received by all pension, provi-

debt will rise from 18.5 per cent of government spending to

nearly 20 per cent.
With total spending forecast
to rise by 10.4 per cent next
year to R174bn, and revenue

from the existing tax structure by 10.5 per cent to R139bn, Mr Liebenberg had to seek addi-

tional resources to narrow the

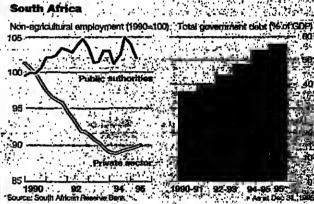
fiscal deficit. This he has done

R2.7bn in the financial year beginning on April 1. Income tax payers benefit by R2bn from the decision to raise the threshold on which the top marginal rate of 45 per cent is levied from R80,000 to R100,000, coupled with other smaller

dent and retirement annuity funds. This is intended as the

first step in a wider review of

On spending, there is a further 5 per cent cut for defence, but more for education and



'Peace summit' sends Red Sea tourists packing

By David Gardner

Ever since Mr Yassir Arafat, leader of the Palestine Libera-tion Organisation, renounced the use of terrorism in the 1980s, he has had trouble getting his tongue round the English word, regularly startling listeners by promising to wipe out "tourism".

At yesterday's hastily convened "anti-terror" summit in Egypt's Red Sea resort of Sharm el-Sheikh, he and 30 other international leaders were doing a fair job of

As summiteers settled into their beach suites among the rustling palms and riot of boualready rousted from their

By Andrew Jack in Paris

Counterfeiting products costs

businesses more than \$100bn

(£66.6bn) a year and companies

will have to assume far more

responsibility for protecting their products, a senior execu-

They fled the platoons of workmen raising hillhoards, painting kerbs, building platforms over swimming pools and commandeering restanrants for the Summit of Peacemakers.

The remote sonthern Sinai resort's one-runway airport was swamped, the local telephone system overwhelmed to the point that even local calls were at one stage impossible. Yet Sharm el-Sheikh is a relatively recent addition to the

tourist circuit. Returned with the Sinai desert in 1981 to Egypt hy Israel, which captured it in the 1967 Arab-Israeli war, it had previously been a vital strategic military installation for both countries before

Chamber of Commerce warned

Cost pressures on law

enforcement agencies and the

belief that counterfeiting is

essentially a commercial prob-

lem will shift a considerable

burden of investment away

they made their 1979 peace. Enterprising management at the Mövenpick Jolie Ville Hotel, the improvised summit centre, was doing a brisk trade among delegations and surviving tourists by selling them "Stop Terrorism" T-shirts, with "Yes, I Was There"

emblazoned on the back. Well, up to a point, so far as the tourists were concerned. Many of them were shipped off

to business, be said. They will

inquiries to attack fraudsters.

Peter Lowe, assistant director

of the Chamber's counterfeit-

ing intelligence hureau at the

start of a one-day conference

be expected to fund their own

The warning came from Mr

Groups 'will have to fund own fight on fraudsters'

bers, backed by two hlondes doing rather tacky "Oriental" Egypt, or to the neighbouring 4th century monastery of St Catherine's, near Mount Sinat. As a sedate delegation of Mount Sinai is where God revealed the 10 Command-Saudis filed ceremonially into the Crown Prince of Bahrain's ments to Moses: among them:

President Bill Clinton shares a joke with Jordan's King Hussein on board Airforce One as they fly in for the summit

Thon shalt not kill". Back Iu the Movenpick, meanwhile, the Butlin's holiday camp atmosphere was cranking up on anto-pilot. with or without tourists. A multi-lingual Dutch animateur

Counterfeiting has been

growing strongly since the

1960s, which is explained by

the high levels of profit it gen-

erates, the lack of adequate

enforcement, and the absence

of strong intellectual property

The quality of fake products

laws. Mr Lowe added.

Luxor, at the other end of

lage sound-system. As President Jacques Chirac, of France, strode purposefully

suite to pay its respects,

"Number Eleven, Legs 11" boomed over the holiday vil-

was calling the Bingo num-

was now so high it was often liberalisation of the former impossible to distinguish them Soviet Union and China, and from genuine ones. Sometimes this was because

which the same production facilities were used to provide the official products and then extra ones after hours. Organised crime was often involved in counterfeiting, with the result that investiga-

of "factory overruns", hy

tors often faced physical dan-Further, counterfeiters were becoming more sophisticated in concealing their operations; including often importing unlabelled products and attaching false "designer" names at the last minute before sale.

Others speakers at the conference said coonterfeiting had been helped in recent years by the political fragmentation and

hy reduced levels of customs inspections within the EU. Mr Luiz Edgard Montaury

Mubarak of Egypt, the master

of ceremonies could be heard insisting: "The first horizontal

As the tension mounts,

Nigel, from the British delega-

tion, cried "Bingo!" and

claimed the summit's first

prize, an hour's free diving tuition on Sharm el-Sheikh's

breathtaking coral reef: defi-

nitely the most peaceful place

Pimenta, a lawyer from Brazil cited one example of a com pany in South America which attempted to register the name of a brand of shoe as a trademark and ban imports of the

The chief executive, he claimed, was a member of the country's police and sat on an anti-counterfelting commis-

ion. Mr Lowe praised France, which is one of the few countries in the world where counterfeited goods brought in from abroad can be confiscated by Customs officers even if they are claimed to be for personal

Poor nations' debt burden lies heavily on World Bank minds

Michael Holman and Patti Waldmeir on a dilemma for lenders

hen the World Bank board meets in Washington today to discuss plans to reduce the debt burden of the world's poorest countries, directors will be aware that they face an almost impossible task.

They have to satisfy several powerful constituencies and some influential lobbles which, while sharing the same objec-tive - reducing poverty through aid and economic development - are frequently

The British charity, Oxfam and other non-governmental organisations have long argued that the cost of repaying multilateral debt is an increasing hurden on some of the world's poorest countries. Repayments to multilateral

creditors - mainly the IMF and the World Bank - have increased steeply, from 20 per cent (\$1bn) of total debt service payments in 1980, to 50 per cent (\$3.3hn) in 1994.

France, Germany and Japan are strongly opposed to either rescheduling or writing off this category of debt, arguing that its terms are highly concessions. sionary and that other developing country borrowers could suffer, either because the cost of borrowing would rise as a result, or hecause fewer resources would be available to

But the paper before the boards nevertheless represents a landmark in efforts to tackle the debt problem.

It accepts that the debt burden of many poor countries cannot be tackled using existing measures; and for the first time there is a suggestion that the IMF is adopting a more flexible approach.

The strong theme running through the report is that the

IMF transfers and repayments

egories of debtors - multilat-eral, hilateral, Paris club (official government debt) and London Club (commercial bank debt) - need to share the

The paper sets a threshold for debt sustainability et 20-25 per cent for the ratio of dehtservice to exports, and 200-250 per cent for the ratio of debt to Countries which remain

above those thresholds for more than 10 years, "despite adherence to sound policies and full use of existing debt relief mechanisms," would he characterised as having "an unsustainable debt burden." The initiative would:

 Require debtors to demonstrate a thorough track record of reform and sound policies before receiving relief.

· Co-ordinate action by all creditors, on the principle of broad and equitable participa-Preserve the financial integ-

rity of the institutions and their preferred creditor status. The paper outlines the main challenge in formulating a debt strategy: "Reconciling the need

hand, with the objective, on the other, of providing the debtor with a firm assurance that, if it stays the course in terms of policy implementation, it can reach a sustainable debt position within a reason-able time horizon."

This problem would be addressed by "offering to eligi-hle countries an up-front undertaking from the international community to take. action to ease the burden of debt . . ." but only "on the basis of an extended period of proven policy performance."
The initiative would have

two stages. The first would fol-low existing conditions for Paris Club rescheduling, which already requires a three year track record of reform.

"During the following three year period" - stage two - "the Bank and the Fund would support the country in its efforts to undertake a broad based programme of macro-economic and structural reforms, which would lead to a comprehensive treatment of its debts." The international commu-

nity would promise to provide

- commercial creditors further reducing debt towards sustainable levels by the end of the second stage". Such relief on flow and stock reschedulings by Paris Club creditors could reach 90 per cent when necessary, compared to the maxi-

If debt sustainability Is not then assured, there would be "new financing from, and action to ease the burden of deht owed to multilateral reduce debt burdens to austainable levels by the end of the econd stage."

The paper stresses that options for easing the burden of multilateral debt all involve the original claims being repaid in one way or another there is not a proposal to write off (or down) multilateral debts."

*TERDAM

The paper goes on to say: "It is useful to consider possible action by the multilateral development banks and the IMF separately, given the lat-ter's unique character and specialised instruments ... one option would be for the multilateral development banks to create a special trust fund into which they, and bilateral sources, would make contribu-

The fund, administered by the Bank, would be used to prepay or service a portion of the countries' multilateral

Eligible countries: Burundi, Guinea-Bissau, Mozambique, Nicaragua, Sao Tome-Principe Sudan Zaire, Zambia. Other countries might also qualify: Bolivia, Cameroon, Congo, Copte d'Isoire, Ethiopia, Guyana, Madagasgar, Myanmar, Niger, Rwanda, Tonzania,



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GET SHORTY Barry Sonnenfeld

REALMS OF THE SENSES ICA

n *Nixon*, Joan Allen's First Lady says to Anthony Hop-kina's president. "They'll never love you, Dick". And we realise, if we have not already, that film-maker Oliver Stone's appallingly enthralling three-hour stomp through the career that gave us the Cambodia bombings, the opening up of China and the Watergate hurgiaries is really "Citizen Kane Goes To Washington."

Kane bad his sled taken away. Nixon, we learn in black-and-white flasbhack, had his brothers taken away by early death. His Quaker mom (Mary Steenburgen) then poured the family cash into young Dick's university education, enabling him to rise on his siblings' dead bodies as be would later rise on those of two more brothers: Jack and Bobby Kennedy, slain, at least in this film's metaphorical patterning,

as if to clear Nixon's electoral path. So: Charles Foster Kane with a touch of Macbeth, Ropkins, against expectation, makes perfect casting for the president who combined a bullet-proof ego with a greasepainted air of guilt. Scantily accessorised - a black widow's peak and a smear of five o'clock shadow - the actor bunches uncannily into Nixon's buman coatbanger shape. He punches his lines through the famous jowls and skins his lips back for the famous salesman smiles. Sometimes too he jabs the air with

the Nixon V-sign as if digging heaven meaningfully in the ribs. If Stone's JPK was a mosaic without a centre - its hero was a dead

body - Nixon is a classical melodrama with a screen-filling protago-nist; even though the director still plays unclassical games with time sequences and screen textures. Trip-ping between decades as he covers every flashpoint in the Nixon story from 1950s anti-communist fever to the death agonies of the Vietnam war, Stone also oscillates between colour and monochrome, hi-fi 35mm and the grainy hand-held film stocks of TV reportage.

This time, though, the audience does not feel like an adult education class being harangued by a mad political scientist. The Freudlan slant on its main character may be simplistic (as was Kane's), but Stone gives it a gothic grandeur. Like a Poe story, it revels in the corrupt magnificence of shadows, mansions and deadly secrets. And like a Poe hero, Nixon addresses old portraits as if they were living counsellors. "Where would we be without death, Abe?" he snarls fondly at a painting of Lincoln. Later he apostrophises him again as the man in whom "everyone sees what they want to

be. In me they see what they are." Nixon is not great art, but it is great tragic hokum. Its omnivorous, campy energy allows it to feed on knockabout satire as well as stentorian admonition. Bob Hoskins gives us a vaudeville J. Edgar Hoover, sipping umbrella'd cocktails with his Adonis pool companion. Paul Sorvino's lookalike, soundalike Kissinger is alternately unnerving and hilarious, as he proffers adenoidal war counsel or joins his chief in kneeling prayer (again before the icon of Abe). And the pantomime improbability of Nixon's pow-wow with student protesters on the Capitol steps - "Hi, I'm Dick Nixon" - is no more



Citizen Kane with a touch of Macheth: Joan Allen and Anthony Hopkins in Oliver Stone's 'Nixon'

ARTS

and no less than a true-life incident. This, after all, was a career made to be an Obver Stone film.

John Travolta moves through Get Shorty like a one-man motorcade. Dressed in glistening black, gesturing with seigneurial hand, powering his path through fellow actors (Gene Hackman, Danny DeVito), the star who vanished from stardom for ten years might never have been away.

Bringing a limousine stylishness to this Elmore Leonard tale of graft and gangsterdom in movieland. Travolta's Miami-based mafia loanshark travels west to put the squeeze on Hollywood producer Gene Hackman. Once set down. though, in the world of ravening stars (Rene Russo, Danny DeVito) and runaway revenues, Travolta is

hooked. He transfers his husiness skills and intimidation tactics to the startled world of professional make-believe. His signature phrase "Look at me" is enough to turn most resistant investors or recalcitrant actors to jelly, as the halogen blue Travolta eyes bore into their souls or

The actor outshines the material. As directed by Barry The Addoms Family Sonnenfeld, much of the film behaves like a drunk on a street, weaving between satire and slapstick as if between opposing lamp-

Who in Tinseltown's demonology are these supporting characters meant to be? Hackman is too canny, too siy to be a knockabout vulgarian of the 2-movie (whose credits include Grotesque and Grotesque

Part 2). Russo, as the starlet with pretensions, is a smart patrician redhead where she should surely he a blonde with a low IQ. And Del'ito is too squat, too buffo to be the idolsuperstar we are asked to believe has just triumphed as Napoleon.

Sonnenfeld and screenwriter Scott Frank seem to be playing for parody and incongruity at the same time: which is like trying to have your custard pie and throw it.

The best scenes are those where Hollywood recedes and gangsterdom takes over. Travolta and his fellow boodlums (Hawaiian-shirted James Gandolfini, swollen-hootered Dennis Farina) may he playtime haddies, cousins to the postmodern cut-outs of Pulp Fiction, but they are funny and all-of-a-piece and they move in a world where quick reflexes produce

quick wit. As someone pithily says, "Sometimes you do your best work when you got a gun to your head." There are more gangsters at the

ICA in Hayashi Kaizo's The Most Terrible Time Of My Life. But beware of self-fulfilling movie-titles. Trying to bring Chandler to Yokohama, the film brings grief to its audiences. We count the relentless punched noses and severed fingers and the would-be hardboiled lines that crack in the pan.

But it is only one film - ill-advisedly press-shown - in a three-week season of new Japanese cinema, "Realms of the Senses". This promises everything from post-cyberpunk science fiction to Super-8 diary movies to oor old friend "the turbulences of adolescent emotional and sexual self-discovery.

Theatre/Sarah Hemming

Dublin low-life

t is a cracking month for Irish theatre in London. The latest arrival is Paul Mercier's Buddleia at the Donmar Warehouse (performed by Passion Machine Theatre Company as part of the Four Corners season at this contrast with Martin McDonagh's excellent The Beauty Queen of Leenane, still running at the Royal Court.

Like McDonagh's play, Buddleia is a bleak modern comedy set entirely in a delapidated kitchen. But where McDonagh explores rural disloca-tion, Mercier deals with the dregs of Dublin, and where McDonagh approaches his subject through the psychological battle between two characters, Mercier's strange and remarkable play is simply a succession of fragments - not so much a slice of life as a whole loaf. He brings us one set of inhabitants after another, a parade of misery and corruption that we, like the house,

silently witness. The piece starts with a hungled robbery (providing a great opening moment, as the actors fall through the kitcheo window) which precipitates the death of the elderly occupier. With him gone, the building falls prey to a succession of lodgers and visitors and we watch as one dubious lot after another squabble, struggle or suffer. Broken marriages, financial crises, dodgy businesses (pornographic videos, heroin dealing), corrupt local politics, loneliness, illness - all buman misery passes before us.

The piece works by accumulation, building up into a funny, but truly grim picture of life in a God-forsaken patch of Duhlin. But while most interact, the audience is privy to certain connections (the crooked estate agent turns up in nearly every scene), and Mercier also weaves in a couple of running themes. Gus and Les, two workmen who appear several times in different guises (undertakers, removal men, firemen) act as a kind of chorus and broaden the scope of the play by conducting inconclusive conversations about the meaning of tt all. And tragedy is woven in the shape of the homeless Jordan, grandson of the first occupant of the house, a pale, skinny youth who is constantly getting entangled with other people's bad

It is an ambitious, enthralling piece that fizzes with desperation. and its deliberate avoidance of dramatic conventions admirably suits the splintered world it portrays. And one can only admire Mercier's marshalling of his huge (29 strong) cast and their ability to instantly conjure a whole world of private despair in each fragmented scene.

'Buddleia' continues to March 16 at the Donmar Warehouse, London (0171-369 1732).

Obituary Krzysztof Kiesľowski

n years to come Krzysztof Kieslowski, who died yesterday aged 54, may be seen as the only European director to have emerged into greatness from the cultural muddle of the post-1970s European Community.

Though imbued with the sar-donic stoicism of Polish cin-

ema (Wajda, Polanski, Skolimowski), he determinedly crossed borders to make films with foreign stars in France (The Double Life Of Veronique. Biue) or Switzerland (Red). Not just a pan-European, he was also panhumanist and even a pantheist. A Kieslowski film was as eerily recognisable as a Graham Greene novel. Both depicted a world where ordipary lives kept meeting the shock of the mystical.

A widow could be haunted by the sins and passions of her busband, killed in a car crash (Blue). A young woman could meet her double, both literally (Veronique) and spiritually (Red). And in The Decalogue. Kieslowski's ten instalment masterwork inspired by the Ten Commandments and created for television, the word of God, made outlaw in a godless world, finds constant ways to

make itself heard. Nothing in Kieslowski's debut feature, a comedy about cinemania called Camera Buff. prepared andiences for the complexities to come. But even here there was a flair for teasing offhand metaphor, The lens-wielding hero was a knockahont version of the "surveillance state" in pre-liberation eastern Europe. Kieslowski would later draw the same parallel between private and public voyeurism in his portrait of a peeping tom in A Short Film About Love, part of

The Decologue series.

After Camera Buff Kles-lowski found and scarcely changed his style, whether working before or after the downfall of communism. Human beings were vnlnerable, lonely and set about hy near-uncontrollable worldly and otherworldly influences. Government, bureancracy and anthority were the bringers of tyranny and despair. The state's conscions oppressions were far more bemous, Rieslowski argued in his grim tale of murder and punishment A Short Film About Killing, than the madnesses of the lone indi-

vidual, however horrifying. Visually, Kieslowski show that cinema could be just as inventive with a tiny hudget as with the millionaire palette of digital trickery. Whether tinting his cityscapes with colour filters - an orange sky or a grey-blue street scene - or rhyming the same coloor throughout a single film, as in Red or Blue, he was the only **European director since Anto**nioni to advance the possibilities of colour and texture.

Two years ago he announced his retirement, but he was already pondering new projects. On the one occasion I met him, he mused on a Utopian form of movie that would literally change itself audience by audience: much as two of the movies in his own Decalogue - A Short Film About Killing and A Short Film About Love - bad been shown in radically contrasting versions on TV and in the cinema. For Kieslowski, clnema never stood still. Movie history, like movies, should keep moving.

N.A.

very year another business man or politician finds himself on the front pages of the tabloids, victim of a younger woman who chose to kiss and tell. In Donizetti's opera the girl kisses and sings, but the moral is much the same: old age blinded and deceived by youth has been a favourite story for operas down the centu-

English National Opera's production of Don Pasquale npdates the plot to present-day italy just in ca anybody supposes the rules of the generation game have changed over the last 150 years. They have not, of course. This elderly Roman executive with his officious secretary and trendy modern art collection is Donizetti's Don Pasquale down to his slippers and walking-stick. His

Thatever bappened to the Great American Opera, the ideal marriage between the democratic New World's jazz/folk vernacular and the most aristocratic and European of artistic genres? Now and then, candidates for the supreme accolade present themselves: Gershwin's Porgy and Bess, Blitzstein's Regina; Weill's Street Scene; Copland's The Tender Land; Bernstein's A Quiet Place. And Douglas Moore's 1956 opera, The Bal-lad of Baby Doe, something of a classic in America, but unknown and unstaged in Britain until Monday.

when University College Opera presented it at the Bloomsbury Theatre. The reasons for Baby Doe's neglect here are not hard to fathom. Moore, a composer-academic, was neither

Opera in London

Don Pasquale

The Ballad of Baby Doe

nephew Ernesto is a smart-suited chair, and Adams makes the irasciwhite-collar worker and Norina is the young flirt who runs the café in

the piazza.
It looks like a budget show and is sometimes guilty of cheapening the ty's Norina and Neill Archer's opera, but the evening brings a Ernesto are shallow enough in this opera, but the evening brings a decent (way. The return of veteran Donald Adams, though recovering from brouchitis, brings an expert comedian to the title-role. The production is particularly good at charting Don Pasquale's rapid fall from spruce busband-to-be to decrepit old loser wrapped in his blanket in a wheel-

one of America's great transcenden-

talist visionaries or an offbeat exper-

imenter celebrating the US's cultural

multiplicity. Like many educated American composers he headed for

Europe, to the legendary Parisian

pedagogue Nadia Boulanger, where

he learnt how to coat his music with

a proper Old World gloss.
But, gifted with less than genius

and only a patriotic striving to tap into his indigenous tradition, tha

sense of parlour-song propriety always triumphs. Baby Doe runs true to form and formulae on impec-

cable craft, underpinned by folk-in-flected music, alternately glowing or

gawky, which does little to enrich its

cardboard, historically-hased, char-

ble old fellow's decline quite touching. His days with G&S have kept his words supple.

Representing youth. Mary Hegar-1990s version to remi young never change either. Hegarty is a delight, the sort of Norina who keeps her wits about her as any young Roman female must and singing with a refreshing soprano that hardly ever loses its sparkle; Archer has a Coliseum-sized lyric tenor, but he finds the second half of his aria Performances until April 11.

acters and hollow sentiment. The

setting is ostensibly the Colorado gold/silver rush at the turn of the

century: a party, a gambling session, a presidential election campaign, all

illustrated with musical types drawn

from stock - a waltz, march, letter

song, even a willow song - but never quite assuming a definite, memora-hle musical identity.

But this is an entirely cosmetic

dressing up of the standard operatic

love triangle involving the libidinous husband. Horace Tabor, the wronged, vengeful wife and the

eponymous heroine, who is miracu-lously transformed from scheming

opportunist to loyal second wife who joins Tabor in death, frozen beside

too high for too long. With Alan Opie's sly Dr Malatesta singing as bealthily as ever, it is overall a comic cast with a light touch.

The only place where the joke is likely to fall flat is down in the orchestra pit. The cavernous sound at the Coliseum robs Donizetti's score of its sharp rhythmic energy and the conductor, Michael Lloyd, allows the pace to flag. Add in the long pauses for set changes and ENO is in danger of breaking the is all in the timing. If they could knock ten minutes or so off the running time, the smiles on the way out would be that much brighter.

Richard Fairman

they had pinned their hopes. Wisely the director, Robert Chevara, largely refrained from adding tinsel and fairy lights to this already sickly, chocolate box confection. The choral scenes were impressively handled, and David Drummond conducted a fluent, loving account of the score.

the bankrupt silver mine on which

In one sense Baby Doe is the per fect "college opera", making few demands on performers and listen ers; and it probably needed this first British staging if only to provide further evidence that the Great Ameri can Opera is, in fact, a chimera.

Antony Bye

At the Bloomshury Theatre on March 15 & 16.

INTERNATIONAL

■ AMSTERDAM

CONCERT Beurs van Berlage Tel: 31-20-6271161 Ton Koopman: the harpsichord-player performs works by J. S. Bach, Buxtahude, Forqueray, Duphly, Böhm, Rameau and Balbastre, 2.15pm; Mar 17 Concertaebouw Tel: 31-20-5730573 Raphael Oleg, Mirel lancovici and Alan Wvss: the violinist, cellist and

planist perform works by Delius,

Zemlinsky and Schoenberg.

■ BERLIN

8.15pm; Mar 17

CONCERT Konzerihaus Tel: 49-30-203092100/01 Trio Fontenay: in an all-Beethoven programme; 7.30pm; Mar 19 DANCE

Staatsoper Unter den Linden Tal: 49-30-2082861 Apropos Scheherazade: a choreography by Bejart, performed by the Ballet Unter den Linden. Conducted by Daniel Barenboim. costumes designed by Glanni Versace; 7.30pm; Mar 16 OPERA

Komische Oper Tel: 49-30-202600 · Falstaff: by Verdi. Conducted by Yakov Kreizberg and performed by the Komische Oper; 7pm; Mar 15, 18

■ BOLOGNA

OPERA Teatro Comunale di Bologna Tel: 39-51-529999 Madama Buttarfly: by Puccini. Conducted by Marco Guidarini and performed by the Teatro Comunata di Bologna; 8,30pm; Mar 19, 21, 22, 23, 24 (3.30pm)

OPERA Opernhaus Tel: 49-221-2218240 Otello: by Verdi. Conducted by James Conion and performed by the Oper Köln; 7.30pm; Mar 16

EDINBURGH

CONCERT Edinburgh Festival Theatre Tel: 44-131-5296000 BBC Scottish Symphony Orchestra: with conductor Martyn Brabbins and soprano Lesley Garrett perform works by Wagner, Canteloube and Rachmaninov; 7.30pm; Mar 17

HAMBURG

Hamburgische Staatsoper Tel: 49-40-351721 Khovanshchina: by Mussorgsky. Conducted by Gerd Albrecht and

performed by the Hamburg Oper; 7pm; Mar 20

■ HANOVER THEATRE Niedersächsisches Schauspielhaus

Tal: 49-511-321133 Der gute Mensch von Sezuan: by Bertolt Brecht. Directed by Fölster; 7,30pm; Mar 18

LEIPZIG

OPERA Oper Leipzig Tel: 49-341-1261261 Eugene Onegin: by Tchaikovsky. Conducted by Jiri Kout and performed by the Oper Leipzig; 7,30pm; Mar 20

LONDON ART & ANTIQUE FAIR

Royal Academy of Arts Tel: 44-171-4397438 The London Original Print Fair: 11th edition of Europe's only specialist print fair; from Mar 21 to Mar 24 **OPERA** London Coliseum Tel: 44-171-8360111 Tosca: by Puccini. Conducted by

MUNICH

DANCE Nationaltheater Tel: 49-89-21851920 Shannon Rose: world premiere of a choreography by Youri Vamos to music by Sibelius, performed by the

Alex Ingram and performed by the

English National Opera; 7.30pm;

Bayerisches Staatsballett. Opening performance of the Ballettwoche 1996; 7.30pm; Mar 17, 18

■ NEW YORK CONCERT

Tel: 1-212-362-6000

Avery Fisher Hall Tel: 1-212-875-5030 · New York Philharmonic: with conductor Leonard Slatidn perform works by Chabrier, Satie and Ravel; 6.45pm; Mar 18 Carnegie Hali Tel: 1-212-247-7800

 Hildegard Behrens: the soprano is accompanied by planist Christoph Eschenbach; 8pm; Mar 16 OPERA Metropolitan Opera House

 The Voyage: by Glass. Conducted by Dennis Russell Davies and performed by the Metropolitan Opera; 8pm; Mar 18 New York State Theater Tel: 1-212-875-5570 La Traviata: by Verdi. Conducted by Robert Duerr and performed by

the New York City Opera; 8pm;

PARIS

Mar 15

CONCERT Salle Gaveau Tel: 33-1 49 53 05 07 Nelson Freire: the planist performs works by Beethoven, R. Schumann, Debussy and Chopin; 8.30pm; Mar 19 THEATRE Odéon - Théâtre de l Europe Tel: 33-1 44 41 36 36 · King Lear: by William

Shakespeare (in French). Directed by

Georges Lavaudant; Tue, Wed, Fn,

Sat 8.30pm, Thu 7.30pm, Sun 3pm: from Mar 20 to May 12 (not Mon)

■ ROME CONCERT

Accademia Nazionale di Santa Ceciña Tel: 39-6-3511054 Orchestra dell'Accademia di Santa Cecilia: violinist Frank Peter Zimmermann and cellist Mario Brunello perform works by Brahms and Dvorák, 7pm; Mar 18, 17 (5.30pm), 18 (9pm), 19 (7.30pm)

■ STOCKHOLM **OPERA**

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300 Aida: by Vardi, Conducted by Maurizio Barbacini and performed by the Royal Opera Stockholm; 3pm; Mar 16

■ STUTTGART **OPERA**

Staatstheater Stuttgart Tel: 49-711-20320 Der fliegende Holländer, by Wagner. Conducted by Marc Albrecht and performed by the Oper Stuttgart, 7.30pm; Mar 17

■ SYDNEY

EXHIBITION Museum of Contemporary Art Tel: 61-2-241-5876 From Christo and Jeanne-Claude to Jeff Koons: John Kaldor Art Projects and Collection: the first public showing of Australian patron Kaldor's collection. Works by

contemporary artists Carl Andre,

Joseph Beuys, Christo and

Jeanne-Claude, Donald Judd, Soi Le Witt, Roy Lichtenstein, Mario Merz. Robert Rauschenberg, Meyer Vaisman and Australian artists Aleks Danko, Mike Parr, Imants Tillers and Ken Unsworth; to Mar 17

VIENNA CONCERT

Tel: 43-1-514442960

Konzerthaus Tel: 43-1-7121211 Klangforum Wien: with conductor Zolt Nagy perform works by Furrer, Lopez, Haas and Faber, 7.30pm; DANCE Wiener Staatsone

graphies by George Balanchine; 7.30pm; Mar 18, 20 (8pm) OPERA Wiener Staatsoper Tel: 43-1-514442960 Götterdämmerung: by Wagner. Conducted by Peter Schneider and

performed by the Wiener Staatsoper,

Staatsopemballet: four choreo-

■ WASHINGTON

CONCERT

5pm; Mar 17

Concert Hall Tel: 1-202-467 4600 San Francisco Symphony: with conductor Michael Tilson Thomas perform works by Copland and Mahler, 3pm; Mar 17

ZURICH

OPERA Opemhaus Zürich Tel: 41-1-268 6666

• Il Trittico: by Puccini. Conducted by Marcello Violti and performed by the Oper Zürich; 7pm; Mar 16, 19 (7.30pm)

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Midnight Financial Times Business Tonight

Economic Viewpoint · Samuel Brittan

Marx should be living now

US financial markets have been shaken out of their preoccupation with mythical recessionary dangers. But European markets follow the US too slavishly

Karl Marx would have given a portion of his anatomy for the accurate beadline in last Saturday's Financial Times: "US markets in turmoil after sbarp rise in jobs". It would bave supported his belief that good news for the workers was bad news for capitalists, and that the system could survive only with a "reserve army of

He may, however, have been right. For the "reserve army" was just another way of saymarkets in other countries ing that an economy requires with very different conditions some reserves of underfollow the US. For there is litutilised labour, as it does tle doubt that European counstocks of goods, undeveloped tries have unemployment land and other factors of prorates high above their NAIRUs. This is obviously the duction. He erred only in supposing that these reserves case in Germany and France, could be dispensed with under but is also true in the UK. any system that avoided direc-Patrick Minford argues persuasively in Economic Affairs

tion of labour. that under-utilised reserves of The concept was reinvented by Milton Friedman under the UK labour are much higher name of the "natural rate of than the unemployment figunemployment" to show that ures suggest. But his main governments could not spend belief is that the natural rate of unemployment has dropped themselves into target rates of growth and employment. The a lot as a result of supply-side idea has now been disguised under the technical-sounding measures. He has a chart showing how all the other name, Non-Accelerating Inflaforecasters in the Chancellor's tion Rate of Unemployment (NAIRU), on which most mainpanel of "wise men and women" have seriously overestimated either inflation or stream economists are now brought up, irrespective of unemployment - and usually hoth - several times running.

how they vote Of course, one must add the caveat that there is nothing natural about the natural rate. and there are many reforms that could enable labour markets to balance at much lower levels of unemployment, as they do in the US compared with continental Europe.

But it remains true that if at any one time unemployment drops too far below the point of balance, labour shortages develop, inflationary symptoms mount up and some checking action by governments or central banks is as

sure as night follows day. One interpretation of the recent financial market shakeuut in the US is a sudden realisation that, so far from facing recession, the US economy was likely to show adequate growth rates and at least normal rates of capacity utilisa-

tion. The markets, therefore, lost any reason to expect a because both growth and productivity may be higher than reduction in US interest rates. If there was anything pathoofficial statisticians suppose. logical about US market behaviour, it was not the correction of the last few days. It was the earlier growth of recession fears on the basis of a couple of months' slowing down and the distortions following from a severe winter. Mucb less justifiable is the slavish way in which financial margin to be accommodated

> could easily ignite new inflation in two or three years. Treasury and Bank of England officials who explained away the money and credit upsurges of the 1970s and 1980s are at it again this time. It is quite possible for both criticisms to be correct. Demand could be highly deficient now but become

by productivity miracles and

excessive in the late 1990s. This leads us to last week's UK base rate cut from 6% to 6

tion is below expectations for telling the forecasts.

The alternative cynical explanation - that the Chan-

difficulty of taking into account new products and processes. The immediate impli-

Another criticism of main-

stream analysis comes from

the Centre for Economics and

Business Research, which

argues growth has been

underestimated because of the

and this has, therefore, only a modest effect on the amount of unused capacity in the economy. Looking further ahead, however, there is reason to worry about the growth tion if necessary. of money and credit. These are now rising above their monitoring ranges by too great a

per cent. The pious explanation is that the Treasury and Bank updated their forecasts of inflatioo in two years' time, concluded it was likely to be helow the target of 21/2 per cent and cut rates again.
You can tell that to the marines. The role of forecasts is largely ritualistic. If infla-

several quarters while output remains sluggish, the inflation forecasts get revised downwards. The forecasts are not telling us anything. We are

cellor is just reducing interest

World fixed interest yields

	US	Japan	UK	Germany	France	Switz
3-month	5.09	0.38	6.25	a.23	.4.12 .	. NA
1-year	5,40	0.75	5.89	3.35	4.35	N/A
2-year	5.72	0.92	8.67	3.99 `	4.89	- N/A
5-year	6.02	1.82	7.60	5.31	5.91	4.02
10-year	6.34	3.05	8.06	6.51	6.68	4.30
30-year	6.65	N/A	N/A	7.29	7.49	NA
CPI	2.70	0.20	2.90	1.50	. 2.00	.0.80

cations for policy are limited rates to stoke up a feel-good pre-election atmosphere - is equally wide of the mark. Kenneth Clarke is well aware that if he takes obvious risks in managing the economy, the public will be suspicious; he would be prepared to move interest rates in either direc-

In the UK, as in most other countries, nominal demand is increasing by 4 per cent per annum or even less - well short of the 5 per cent or so which most of the central banks believe to be the safe limit. So the balance of arguments still points to continued small-hite monetary relaxations. The proviso is that policymakers must be prepared to reverse course if there is the slightest sign of demand increasing too quickly

Do not scoff. There have heen several examples of interest-rate increases within nine months of an election. These include Anthony Barber in 1973 (admittedly after the oil crisis), Denis Healey in 1978, Geoffrey Howe in 1983 and Nigel Lawson in 1986. It is true there were usually cuts in the months before polling day, hut often not enough to reverse previous rises. It is rather sickening to see City analysts becoming more cynical than the politicians they profess to despise.

Admittedly bond markets are giving a thumbs-down to further relaxation. Yields worldwide are half to one percentage point above their January low point. Yet the hond and money markets are inhabited by fallible mortals who can be as over-cynical as the

The need is to persevere with interest rate reductions -especially in Germany - until there are actual signs, and not just predictions, of nominal demand rising too fast.

Meanwhile, the most striking feature of bond yields is their international dispersion. Japa-nese yields are still far and away the lowest - a reflection

of recent deflationary conditions when consumer prices have actually been falling. US yields are above German ones on shorter maturities but below them on longer-term bonds. This could reflect a belief in an eventual real revaluation of the dollar

against the D-Mark. The table also shows that UK rates are higher than those of any of the Group of Five leading industrial countries for all maturities. There is a premium on UK yields of about 2.3 percentage points relative to German ones on five-year bonds, and one of 1.6 points for 10-year bonds. By contrast, the French premium is only 0.6 percentage points on five-year bonds and almost zero for longer-term issues.

The pattern suggests that the markets believe the two countries will form an Emu core without the French deval-uation that so many Englishlanguage analysts have tried

so hard to foment.
The much higher UK pre mium at the very least shows that sterling's trend against the D-Mark (and its euro successor) is expected to be down-wards. This does not augur well for British inflation per formance outside Emu, despite reassurances to the Euroscep tics given by Eddie George the Bank of England governor. Some of the other differen-

tials are also enlightening particularly the one or more percentage points by which German bond yields exceed Swiss ones. This is often said to reflect the fears, especially of German investors, that the euro will not be as good as the D-Mark and the cousequent desire to find a refuge.

Thus, Germany has higher rates than Switzerland because of the suspicion of the Euro; and the UK has higher rates still because of a fear that sterling will not even be as good as the still-to-beproven new currency. Alas financial markets are less likely to be wrong here than in their views on the short-term scope for stimula-tion in European economies.

By Robert H. Frank and Philip J. Cook Free Press, 272pp, \$25

BOOK REVIEW : Ha Land Market St.

To the victor the spoils and then some

THE WINNER-TAKE-ALL SOCIETY



the England rngby team may have left him comfortably wealthy, if uncomfortably prominent in the gossip columns. But he has the misfortune to be stepping down just as a wall of money is about to hit European sport. Satellite television and the lifting of rules on transfer payments, amateur status and the

as captain of

sions will receive.

The same phenomenon can be seen in such diverse professions as law, investment banking, films, and pop music, where the handful of top peo-ple receive a share of rewards that is often hard to relate to performance. The merely competent, one rung below, receive a tiny fraction.

like are multiplying the riches

which the stars of these profes-

Leftwing commentators maintain that this phenomenon reflects the way thet society and its "fat cats" hava hecome greedier. Rightwing politicians often say that inequality is inevitable if there are to be adequate incentives for doing well: some will earn more because they are more talented or work harder.

Neither of these explanations is right, according to this ambitious and provocative book. The authors, professors at Cornell and Duke universities, argue that the superstar phenomenon is becoming more pronounced because of tha communications revolution and the globalisation of industry. They hold this trend responsible for growing income inequality, and argue that it is

also socially wasteful. There are several plausible reasons why winner-take-all markets should have become more common. One is the removal of rules which prevented competition for the best people - in football, for example, the lifting of restrictions on the transfer of European players is sending the fees of

Will Carling's the best soaring. But a more eight-year stint important change is the falling cost of transport and communications. These have created global demand for the best products, and made it possible for them to be distributed

Falling distribution costs explain much of the change in pay packets in popular enter-tainment, the authors say. If it "costs no more to stamp out compact discs from Kathleen Battle's master recording of Mozart arias than from her understudy's, most of us listen to Battle". As a result, she can write her own ticket".

Expansion of markets also helps explain why lawyers, hankers and consultants can also now earn superstar fees. the authors suggest. The money at staka in takeover deals or court cases has grown, and so has the value of hiring the best in each profession. Product markets, like labour

markets, are also showing these characteristics. Many inventions become more valuable as more consumers use them, such as telephones or video recorders. Some eventually become the standard of an entire industry, Microsoft Windows, the computer operating software, is now installed on 90 per cant of the world's new personal computers.

The authors argue that this concentration of financial rewards in the hands of a few explains the growth in US income inequality better than traditional models. They also suggest that winner-take-all markets are socially inefficient the hire of great wealth encourages too many contestants to enter a market. People generally overestimate their chances of writing a block-buster novel or starring in a film. It would be more useful to society if these talents were

employed elsewhere, they say. There is much that is convincing in this account, and even more that is entertaining. However, the authors overstate their case by a long way.

much in spotting winner takeall characteristics in professions without clear "winners", such as dentistry or cosmetic surgery. They shuttle with too little discrimination between winning individuals and win ning products. The analogies are not always apt, and the argument about the causes of. income inequality is muddled. A good product may not earich a single person; if many people hold rights to it, inequality will

Despite an enjoyable cascade of examples, it is regrettable that the authors never attempt to quantify the effect of the phenomenon on inequality. There are, indeed, many reasons to believe the impact is far smaller than they imply.

For a start, many corporate financiers and lawyers have made a fortune from the boutique" effect: as a market grows, it supports more small. specialised companies. This helps spread remuneration more widely Second, the size of markets in film, fashion, and books is not fixed. Their value fluctuates hugely, depending on the products' appeal; new stars can sell millions without denting the money of those already there

There are also many benefits of winner-take-all markets. Consumers gain when technology allows them to be served by the world's most talented

The most serious shortcoming of this account is that blaming the incomes of the rich for social problems is a way of avoiding the underlying causes of those problems. For example, the proliferation of US lawyers stems in a large part from the litigiousness of US society: the lure of making a million bucks is hardly tha whole answer. Extreme wealth will always

trigger moral indignation. But the authors fail to show that the world would be a better place if these excesses were

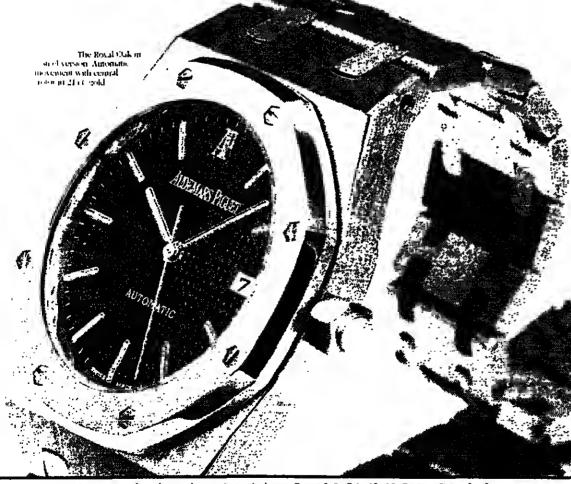
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·LETTERS TO THE EDITOR Number One Southwark Bridge Loudon SEI 9HL 100. We are keen to encourage letters from readers around the world. Letters may be fairful to 144 1 = 0.0 500 press the to fine). e.mail: letters editor@fi.com Translation may be available for letters written in [10] 100 of the automatic group.

Paving the way for higher education funding

From Ms Diana Warwick. Sir, Your leader "PPI, not bad?" (March 11) describes the alleged virtues of the Private Finance Initiative. It is difficult to see these virtues from inside the university system. Universities in England are about to suffer a 47 per cent cut in capital funding in the three years to 1998-99 on the government's mistaken assumption that PFI schemes

will fill the gap. The capital grants that universities receive are not only for "bricks and mortar". They are widely used for the purchase and maintenance of teaching and research equipment essential to produce

the world-class graduates which sustain the UK economy. Cost-savings in equipment purchase through the PFI are unlikely if good procurement procedures have been followed. There may, in fact, be additional costs. The cut in capital will mean less will be spent by universities on equipment, and this must have a significant effect on suppliers of academic equipment. Some university buildings do

produce a separate income stream and PFI schemes may be appropriate in these cases. However, most university construction work is for academic buildings, libraries and maintenance. These do not

From Mr Karl A. Ziegler.

Sir, Your leading article

normally offer additional income-generating opportunities. Normal loan finance typically provides better value for money than PFI for these schemes. Universities already make extensive use of private

finance through direct borrowing from banks, or using direct appeals. Private funding obtained in this way usually represents a good deal as universities are seen as good risks and can secure competitive rates, often more favourable than can a private developer within the PFL The substitution of private capital for public investment,

through loans or the PFL

universities' recurrent funds which have been subject to a severe squeeze per student' over the past few years. CVCP hopes the Dearing inquiry will. pave the way for a new higher education funding system based on contributions from graduates according to their income. This will give universities the capital and ... recurrent funds they need to deliver world-class education.

means an additional charge on

Diana Warwick, -Committee of Vice-Chancellors and Principals of the Universities of the United Lendon WC1H 9EZ, UK

European hegemony

Sir, Robin Teverson ("Failure of EU parliaments". Letters, March 9/10) seeks union of Europhobe and Europhile. This week's white paper is a sham. Many, if not most of us, would be delighted to revert to a common market, the Economic Community (or less), without the trappings of a contrived union regimented hy bureaucrats against the est interests of the electorates. Unite for fear of a "revival" of the old Germany is the call. Here we have hegemony attempted by economic means, which miracle itself appears to be failing spectacularly. Do not put all your eggs in one basket. Better to trade with the world and not rely on a cosy utopian-driven ideal.

K. A. Willson, Fleet, Hampshire GU13 9LS, UK

Catching on

From Chalmers H. Goodlin, Sir, Apparently Pat Buchanan reads the Financial Times. In Texas, he was seen wearing a white hat.

Chalmers H. Goodlin, 2615 Granada Boulevard, Coral Gables. Florida 33134, US

Reform required to beat corporate bribery

in large part, to the efforts of

inquisitive press. People

many of whom are

interested in fair trade and

unfettered economic growth

The Fifth Estate - the world's

("Ending trade corruption, March 8) points ont that corporate bribery, to win ultimately a mug's game. When companies are able to write off "selling expenses" against taxes due, they may feel vindicated in thereby winning some contracts in the short term. However, when the level of corrupt payments required to do the same business rises annually, serious companies must start to advocate worldwide reforms. Exposure and prosecution of corrupt givers and takers of hribes is on the increase due.

disenfranchised, poorest members of developing societies - will be most grateful for increased exposure of corrupt ruling elites within their fragile economies.

When "northern" exporters of goods and services increasingly lose market share to less scrupulous or bigger bribe paying "southern" suppliers, they will probably scream for a level playing field. When "big ticket" construction or weapons contracts are

secrecy invites corrupt payments. When secrecy combines with ease of moneylaundering, corruption thrives. Therefore, the oxygen for banking corrupt payments, ---provided by the everexpanding offshore banking industry, must also be frustrated by multinational sanctions and legal

involved, and fewer decision-

makers are instrumental in

awarding contracts, the innate

The Centre for Accountability and Debt Relief, Kinnerton St. London SWIX SEL, UK

intervention.

Toughness at all costs

From Mr Paul Cavadino, Sir, The Lord Chief Justice's criticisms of the home secretary's sentencing proposals understandably concentrate on the injustices which would result from the changes ("Lord Chief Justice rejects Howard proposals", March 7).

However, there is a further practical consideration of deep concern to those working to rehabilitate offenders - that Mr Michael Howard's measures would also prevent courts from passing the sentence most likely to stop reoffending. For example, many repeat

burglaries are driven by the need to feed a drug habit. Where the offender is willing to co-operate, probation and drug rehabilitation is much more likely than custody to prevent further crime. Yet with mandatory prison sentences courts would be

forbidden to use this option. The home secretary's proposals would therefore sacrifice both effectiveness and justice to a desire to emphasise toughness at all costs.

Paul Cavadino. 169 Clapham Road, London SW9 OPU, UK

More than a rogue trader

From Mr Paul Cleary,
Sir, If Nick Leeson wants to make a dent in the literary world then he should come up with a more imaginative title

than Roque Trader, May I
suggest one of the following:
Baring my Soul; Back to the
Futures; Singapore Sling;
Nikkei Ow!; How I put the Sentex in Simex; The Luck of tha Draw; or Blame it on the Raffles.

Paul Cleary, N 3039 Drammen,

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday March 14 1996

Peace versus terror

Moshe Dayan, Israel's defence minister in the 1967 war, once said he would rather have "Sharm el-Sheikh without peace than peace without Sharm el-Sheikh" (the tip of the Sinai peninsula, which Egypt had used to cut off Israel's access to the Indian Ocean). Wiser counsels eventually prevailed, and Israel gave back Sharm el-Sheikh in return for peace with Egypt. It was an appropriate place, there-fore, for President Hosni Mubarak to host yesterday's summit, the purpose of which was not to threaten Israel but to assure it of the world's solidarity in the face of the threat it now faces.

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That threat no longer comes from the armies of neighbouring states, but from Palestinian suicide bomhers mingling with Israel's civilian population. Such acts are exalted in Islamic terms, but that is a perversion of Islam, as King Hussein of Jordan reminded the conference. "Suicide is not martyrdom," he said. "The killing of innocent people is not jihad ... Islam strictly forbids the killing of civilians."

King Hussein also said that "if we are to eliminate terrorism, we must establish an International mechanism to define it". That is something experts have always found difficult.

Those who have to fight terror-ism cannot afford to wait for an agreed definition. People need to be protected, as far as they can be. All too many states in recent years have had to confront terrorism. By sharing the expertise so painfully acquired, they can help each other improve the rate of prevention and detection. They can also exchange Intelligence, extradite suspects, and clamp down oo activities in one state aimed at financing terrorism in another. But democratic countries can only extradite to others where they are confident the accused will receive a fair trial, and be trested humanely. And they can only restrict otherwise legal activities if there is clear proof of evil

Similar considerations affect the treatment of states accused of sponsoring terrorism. Shimoo Peres, the Israeli prime minister, declared boldly yesterday that the terrorism Israel faces "is spearheaded by a country, Iran".

The US apparently agrees, but other governments, notably in Europe, remain uncoovinced. They see the causes of Palestinian terrorism as mainly internal to Palestine, and the Iranian regime as one given to provocative rbetoric but pragmatic in its actual behaviour, one which needs to be kept under pressure hut with which trading links and channels of communication should be maintained_

If the US and Israel are to persuade them otherwise, they need to use hard evidence and carefully reasoned arguments. Emotional condemnations, however under-

Smoke signals

News yesterday that Liggett a division would until now have Group, the smallest of the five big US tobacco companies, is offering to settle an important law suit brought by smokers, initially sent tremors through the stock market. Further examination showed the proposal was not as far-reaching as It first seemed since it owed more to the corporate ambitions of Mr Bennett Lebow, chairman of Liggett's parent company, than toany real change in relations tion to fight all legal claims. between the Industry and its Nevertheless, Mr Lebow's moves between the Industry and its

enemies. Nevertheless, the latest developments damage the industry because they highlight the scale, cost and complexity of the myriad legal claims. They are also a painful reminder to tobacco companies of the dangers of abandoning a united front.

The industry has, until now, won all its smoking-related suits. Juries have dismissed claims brought by smokers on medical grounds, taking the view that smokers knew the risks they faced. However, companies now face new actions based on claims of nicotine addiction. It is these claims which Liggett has agreed to settle. It is also offering to settle claims by five states for costs for treating smokers and to accept tough proposed new federal rules

on advertising.

Mr Lebow's motives are wholly connected with his hid to force RJR Nabisco, the second largest cigarette maker, to split its tobacco and food businesses. Such

been almost certainly blocked in court by litigants claiming It was designed to take assets from those seeking damages. The proposed settlement would, therefore, remove a big obstacle to Mr Lebow's plan for RJR Nabisco.

Other tobacco companies Including industry leader Philip Morris, rightly declared they would maintain their determinashow the dangers they face if one company breaks ranks.

The industry's armies of lawyers must once again have had a bumper day, analysing the ramifications. The companies never reveal their legal costs, but if they continue escalating, the tempta-

tion to settle will grow. However, a full settlement is a distant dream. The addiction claims show lawyers can devise new avenues of attack even when all the established routes seem to have been defended. There could never be a guarantee that future cases would not be brought, especially as the industry continues to promote cigarettes aggressively.

notably abroad. Lawsuits have, over the years, forced the tobacco companies to take more care in selling cigarettes. But more important has been the change in social attitudes and regulations which have made smoking taboo. And this has been achieved at a fraction of the costs involved in litigation.

The online challenge flowers

Louise Kehoe and Paul Taylor on how the growth of the Internet is revolutionising the competitive environment for business

apid growth of the Internet, bringing online information ser vices to millions of husinesses and individual computer users, is changing the way businesses communicate with tbeir customers, suppliers and within their own organisations.

For many industries and companies the Internet spells opportunity. Others, however, are struggling to come to terms with technology that could undermine loog-established business patterns. Even industries that have so far

observed the Internet with only mild interest may quickly find themselves challeoged by new developments.

Reed International, the world's largest publisher of academic journals, is one company that has already felt the pressure. Its share price fell sharply in December when Forbes, the US business magazine, suggested it might become the first "victim" of the Internet because colleges and libraries would cancel subscriptions in favour of finding research papers online.

The Intercet also has serious implications for the telecommunications industry. Companies such as AT&T in the US and British Telecommunications have recently jumped at the opportunity to sell online services to husinesses and individuals. However, it will soon be possible to hold conversations over the Internet (although the software already exists, the voice quality is inferior). Since users normally pay local call rates for access to the Interpet, this will undermine the "price-per-distance" business model of the telephone industry which allows them to charge much more for long distance calls.

Mr Peter Dawe, founder of Unipalm Pipex, the leading UK-based Internet service provider, argues: "The telephone tariff system is stupid. It is fundamentally a fixed cost system, but we pay for it on the basis of a variable - namely voice minutes. What is more, where the charges are levied bears no relation to where the costs occur."

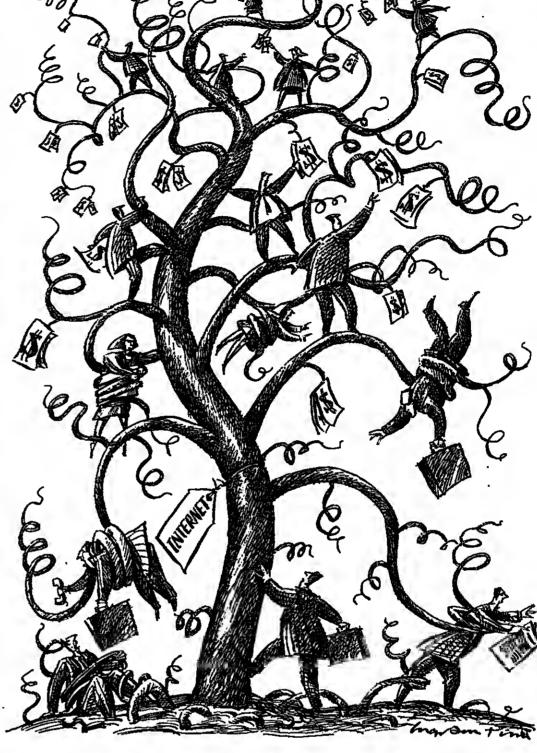
The Internet also poses a threat to companies in almost any information-based service. It provides a cut-price and increasingly secure delivery mechanism that new entrants can use without building a high street branch network.

Banks and financial services companies are particularly vulnerable, as the establishment of Internetbased competitors shows. Several online electronic payment systems have already emerged while Security First Network Bank, established last year by Cardinal Bancshares, a small Kentucky savings and loan group, is the first financial institution to offer online banking over the Internet.

Concerns about security - exacerbated hy incldents that have exposed the vulnerability of supposedly secure software to hackers have made banks cautious about such online services. Nevertheless, Wells Fargo, a large US west coast bank, has announced it plans to offer banking services on the Internet later this year and competitors are expected to follow suit.

As Datamonitor, the market research group, noted: "Banks must act now to secure their share of the Internet payments market . . . otherwise they face the prospect of hav-ing their role oversbadowed by third parties, with disastrous effects The growth of the Internet also

poses a challenge to traditional stock brokerages, with the development of online securities trading



services. E*Trade Securities, a pioneer of securities trading via online services, recently launched an Internet service providing almost instant confirmation of US share and options trades.

Yet while some industries may see the Internet as a threat, others perceive the global computer network as an opportunity to expand and operate more efficiently. Last year there were about 56m users worldwide, according to IDC, the technology market analysis group. IDC predicts that about 200m people will be on the Internet by 1999.

The growing interest in tapping this potentially enormous market is shown by the number of husinesses and other organisations creating computer "hosts" - machines that hold data or programmes which can be accessed by Internet users. In the past six months, the number has

grown 44 per cent to 9.5m. So far, the higgest "winners" have been companies providing software, computer equipment and access ser-

vices that form the infrastructure of the global network. Chief among these is Netscape Communications, the software company that burst on to the market last year with its Network Navigator browser which provides an easy way to find informa-

tion on the Internet. Success goes to those who are quick to recognise trends, says Mr Jim Barksdale, Netscape president and chief executive. "Bill [Gates, chairman and chief executive of Microsoft] didn't see this coming Larry [Ellisoo, chairman and chief executive of Oracle] didn't see this coming." Now two of the world's largest software companies are trying to catch np with a company that was formed less than two years ago. Hundreds of oew companies have

been formed to supply Internet-related products. These include software to protect husinesses from hackers, multimedia design services to help companies create attractive pages on the Internet, and search facilities to guide users through

There are also sales opportunities for computer manufacturers such

the labyrinth of the Internet.

as Digital Equipment and companies such as Cisco Systems, which supply equipment that links data communications networks through the Internet. Sun Microsystems, the computer workstation manufac-turer, has become the top supplier of "servers" for the Internet and developed Java, which writes compnter applications on the Internet. However, many information techo ology companies are facing competitive pressures from the Internet. These include Novell and Lotus, a subsidiary of International Business Machines, which have found their networking and "workgroup" software losing out to the Internet and "intranets" - internal corporate networks using similar software

and communications standards.

Also directly affected are proprietary online information services snch as America Online, Compu-Serve and Prodigy which provide

including electronic meeting places or "chat-rooms". They must now compete with direct Internet access providers, such as Netcom and UUNet in the US and Pipex and Demon Internet in the UK. Some online services, including the Microsoft Network and Apple Computer's eWorld, have been forced to retreoch or close down.

However, the online service providers are strongly placed to beoefit from the huge interest in information services generated by the Internet. Many home computer users "front-end" software is easier to use than the direct Internet products.

"We have never viewed the Internet as competition," says Mr Steve Case, chief executive of America

Newspaper publishers are also looking for new online sources of reveoue if - as many expect - sales of their traditional paper-hased products sag. Last year, the number of US newspapers publishing online editions on the Internet tripled to 175, according to the Newspaper Association of America. It is expec ted to double again this year.

are planning to introduce subscription charges this year, but advertising looks to be a more promising source of publishing revenues on the Internet. Advertising revenues from Internet and on-line services totalled about \$55m (£36m) worldwide last year, according to Jupiter Communications, a US market research firm. But analysts predict it will rise to \$343m this year and \$5hn a year by the end of the

While thousands of companies currently promote their products on the Internet, few have so far begun selling ouline. This is likely to change very quickly as the technology is developed to make paymeots securely via the Internet

Internet shopping revenues were less than \$300m last year, compared with the \$57bn sales through speciality mail order catalogues in the US. Yet within a decade some analysts predict electronic commerce via the Internet could rise to as much as \$200bn a year.

Wal-Mart, the world's largest retailer, recently announced that it will open a storefront on the Internet this spring. "We believe that electronic retailing...ls an Idea whose time has arrived," said Mr David Glass. chief executive.

Meanwhile in the UK, the Barclays group has launched Barclays-Square, a virtual electronic shopping mall with sites reoted to a wide range of retailers including Toys-R-Us and J. Sainsbury.

The anticipated rise in direct sales hy manufacturers over the Internet is a challenge to distribotors and retailers. However, it may strengthen the branded goods' appeal.

"On the Internet they don't know you're a dog," is an established tru-

For businesses, and investors alike, there are risks in both under estimating and exaggerating the potential impact of the Internet surrounded as it is by hyperbole. As Charles Finnie and David Locke, analysts with Volpe, Welty, the USstock brokerage, put it: "The Interworld peace or make you thinner."

Yet in the long term it is likely to "alter, perhaps obliterate, timeworo models of Interaction and transaction among individuals and

Referendum row

There is much to be said for the ergument that if and when a future UK government decided to join a single currency it would be ohliged to seek the consent of the people in a referendum. Whatever the pros and cons, there is little doubt that sterling's replacement hy a shared European currency would be a decision of great politi-cal and economic moment. As such it would require explicit endorsement by the electorate in a general election or, more likely, a

But it is hard to see what is to be gained from the present damag-ing debate within Mr John Major's cabinet. The prime minister has made it clear that he sees little prospect of a single currency being established before the turn of the century. He has indicated that it is even less likely that a Conservative government would join such a venture. And yet he has decided that the issue of whether the UK would hold a referendum must be settled within the next few weeks.

The result has been a damaging and highly public rift with Mr Kennetb Clarke, the chancellor. Mr Clarke, backed by Mr Michael Heseltine, the deputy prime minister, and by one or two other cabinet colleagues, is adamantly opposed to the referendum pledge that Mr Major now seems intent on offering Tory Eurosceptics. The result has been the inevitable speculation that, should the prime minister force the issue, he might

lose his chancellor. Mr Major has been motivated by ship.

warnings from Conservative Central Office that Sir James Goldsmith's Referendum party could take vital votes away from Tory candidates fighting marginal seats at the general election. A majority in the cabinet also believes a referendum pledge would help preserve the uneasy truce on the Tory backbenches. For his part, Mr Clarke offers

several objections. He sees no place for a referendum in a constitution based on the sovereignty of parliament. He believes the outcome of a plebiscite could well depend on the popularity of the government of the day rather than on the merits of the argument. Most importantly, he considers that offering a referendum simply to placate the Tory Eurosceptics would be to invite them to make further demands before the elec-

Mr Clarke is probably being too dogmatic Many of his pro-European friends believe this is not the issue on which to take a stand against the Eurosceptics. Yet Mr Major must have been aware of the chancellor's strongly-held views when he put the issue hack

on to the agenda. Unless a compromise can be reached, the outcome will be either an embarrassing climbdown hy Mr Major or Mr Clarke or, possibly, the chancellor's departure It would be absurd if so little had been learned from the damaging divisions in Downing Street which only a few years ago destroyed the then Margaret Thatcher's premierFinger licking International, found yesterday.

He was in normally tolerant bad, they say ■ American poultry producers and congressmen were outraged when Russia recently threatened to ban US chicken imports; claiming they

failed basic samitary tests. US producers rejected the suggestion as a piece of hlatant protectionism. Even Vice President Al Gore entered the fray, banging his country's drumsticks - which for some peculiar reason are known as "Bush's legs" in Russia, In honour of the former Republican US president

But maybe the Russians have a point. A report published yesterday. gave stomach churning details of how many US poultry carcasses are coated in a "fecal soup" of contamination. According to the US department of agriculture, 4m; Americans become sick and 3,000 die each year from consuming contaminated meat and poultry. Expect a wave of budding . Russian entrepreneurs, marketing "clean" Slavic birds in the US.

Insane gesture

■ Taiwan isn't the only south-east Asian nation with Chinese fitters, Thailand rubs along well enough with China - and is keen to keep it that way, as Pierre Sane. secretary-general of the human rights group Amnesty

He was in normally tolerant Bangkok to launch a campaign denouncing torture and capital punishment in China. That Prune Minister Banharn Silpa-archa, due to visit China this month, took no chances. Unable to persuade the local foreign press club to deny Amnesty a venue for a press conference, Thai security officials detained two Amnesty staffers; Sane gave them the slip hy leaving his hotel via the back door.

· OBSERVER

Olympic boycott Observer's first law of selling is - hit the customer all ways. Delta Air Lines is a fine exponent of this

axiom. Delta is the official carrier for the upcoming Olympic Games; naturally, it hopes to coin it by ferrying the hordes flocking into Atlanta. But it also recognises that many local citizens anticipate little fun in

the games and will flee for the hills. So it's offering discounted air fares to leave Atlanta during the games. Choose from 110 different destinations across the US, and get a reduction of 20-40 per cent. Now, if only a television

broadcaster can find a way of keeping pictures of sweaty athletes off the air, we might be okay.

You're fired Senior managers at Pechiney

might be wondering what to expect from Jean-Pierre Rodier, chairman of the French aluminium and packaging group, who has ordered them to find cost cuts totalling at least Ff1.5bn.

They should look to what he did four years ago at Belgium's Union Minière, which was in even worse shape than Pechiney. No saving was too insignificant as far as Rodier was concerned; by installing water fountains rather than distributing bottled water he saved BFr500,000 a year.

Perhaps Pechiney's consultants ought to be most worried. UM had so many that it took considerable time to manage them all. So Rodier introduced guidelines for a "just in time" or "using a consultant only when we are certain we need one system, which he reckoned saved UM an annual BFr100m.

Demon bowling

■ Pakistanis don't easily accept defeat in cricket, a national obsession, especially when the winner is India - the other national obsession. Hardly surprising then, that Islamic fundamentalists have blamed the country's defeat in the quarter-finals of the World Cup on the godless festivities connected to the competition, including the involvement of an Indian beauty queen in the opening ceremony. Qazi Hussain Ahmed, a Pakistani senator, insists that because of this

"extravaganza of vulgarity and immorality in the name of culture, the wrath of God had been invited and Pakistan lost". English players can count themselves lucky: they merely stand accused of being useless.

Sharp shooter

■ The late Eric Sharp, who led Cable & Wireless into the private sector, would have been distressed hy the recent shenanigans surrounding his old company. Having put C&W on the international map with a series of brilliant deals, such as the acquisition of the Hong Kong Telephona Company, he would have despaired at the cack-handed way it's apparently put itself on the auction block.

Nevertheless, Sharp would have admired C&W's ambitious plan to bny British Telecommunications. It had all the hallmarks of an Eric Sharp deal; not surprising, perhaps, given that his son, Richard Sharp, is one of the Goldman Sachs partners advising

Cleaning up

■ Ulster Unionist leader David Trimble is giving bath robes to President Clinton and Hillary when he visits the White House on Friday. Should come in handy when they get out of bot water.

Financial Times

100 years ago Italy and Abyssinia

Further despatches from Major Salsa state that the negotiations for peace have made much progress. No details are known. but a very confident feeling prevails in official circles. It is even asserted that the official announcement of the conclusion of peace will be made on Tuesday at the opening of Parliament. The "Italia Militare" states that the terms of peace offered hy Menelik are more advantageous and bonourable to Italy than could have been hoped for. He does not attempt to nose as a conqueror. [An Italian invasion of Abyssinia (now Ethiopia) was defeated at the battle of Adowa by the Emperor Menelik II.)

50 years ago Prices marked down

Markets became definitely "political" yesterday on the latest Soviet-Persian developments. Lower and wider prices all round were quoted at the opening, mainly on the announcement by the U.S. State Department that Russian forces have been moving towards Teheran, the Persian capital. Towards the close an agency message that the Prime Minister of Persia had declared that he had no confirmation of the reported Russian troop movements was sufficient to bring about a small recovery.

FINANCIAL TIMES

Thursday March 14 1996

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News Corp ally claims high-level Beijing contacts | Summit

Murdoch's Star TV may sign Chinese cable deal

By Tony Walker in Beijing and John Ridding in Hong Kong

Mr Rupert Murdoch's lossmaking Star TV network, in a new effort to break into China, is understood to be close to agreement with a Hong Kong-based company with high-level connections to the People's Liberation Army.

Star TV is hoping to involve either China Central Television (CCTV) or China's Ministry of Radio. Film and Television (MRFT) in a three-way deal with Carefree Development, an oil trading rompany, to establish a cable network possibly to be known as Phoenix.

Carefree has indicated to Star

that its allies in the Chinese leadership include a member of the Ceutral Military Commission, the top organisation of the People's

Liberation Army (PLA).

However, CCTV is known to be unentbusiastic about a tie-up with Star, especially an arrangement under which it would be a minority partner. The deal pro-posed by Star would give Carefree, or an associated company, 45 per cent, Star would also have 45 per cent, and CCTV or the MRFT 10 per cent. Senior CCTV executives have

World Bank

debt plan

Continued from Page 1

tbe making, which include:

annual outlays of around \$400m;

Paris Club rescheduling would

be expected to rise from 67 per cent of debt stock to 90 per cent

where necessary;
New financing from multilat-

In a memorandum to the exec-

utive directors, Mr Wolfensohn

says: "The essence of the pro-

posal is to offer those beavily

indebted poor countries with

which demonstrate a record of

sound economic policies and management, the assurance that

their debt burdens will be

brought down to sustainable levels within a reasonable time

period." It might entail reducing

the present value of debt owed to

multilateral creditors, "but the actions proposed are designed to

fully protect the financial integ-

rity and preferred creditor status

of the multilateral institutions".

Europe today

Mediterrancan. Rather cold easterly winds

the northern parts of the continent, keeping

pressure areas will cross the UK and Spain

and western and southern France will have

Europe will turn milder with some afternoon

clear. The Benefux and Germany will have increasing cloud followed by patchy rain.

Lufthansa

lemperatures exceeding 15C.

Five-day forecast

asked to back

know where these reports are coming from and as far as we are

tainly require the approval of China's leadership. Beijing has resisted foreign involvement in Chinese media, fearing a dilution

of its rigid control. Mr Murdoch, whose Star TV is

News Corporation.
But Mr Murdocb faces other

By David Gardner in Sharm el-Sheikh and Julian Ozanne

Leaders of 29 nations agreed yesterday to crack down on terrorist networks as part of an international effort to salvage the Middle East peace process, endangered by recent suicide

Follow-up meetings to monitor progress in intelligence sharing and in a cross-border attack on sources of terrorism funds are to begin in about two weeks. They will be under US chairmanship and will report within 30 days according to US President Bill

The summit, to garner interna tional backing for a regional coalition against the bombers, pledged support for the Israell-Palestinian peace accords, begun in 1993, and for continuing efforts to reach a comprehensive Middle East settlement, including Syria, which boycotted the meeting.

has been dented by Israel's blockade after the bombings and partial re-occupation of areas from which it had withdrawn, "Our purpose bere is to bolster

confidence among Palestinians and Israelis, and for that we need peace, security and basic prosperity," Mr Clinton said.

the coming days.

Editorial comment, Page 13

Clinton.

It also called for more financial aid for the Palestinian autono-mous government headed by Mr Yassir Arafat, whose authority

together European Union leaders, including Mr John Major, the UK prime minister, and Germany's Chancellor Helmut Kohl, and was also attended by Russia's Presi-

and the peace process, had asked stay in Israel to begin co-ordinat-ing the anti-terror drive.

satellite broadcasting posed an unambiguous threat to totalitarexpressed surprise over recent reports that Mr Murdocb was on ian regimes has not endeared the verge of striking a deal which would give his Star network him to Beijing. Star TV claims an audience of cable access to China. "We don't 32m households in China with its

satellite broadcasts, but advertis-

ing revenues are thin and unless

it can secure cable subscriptions

for its programming, prospects for an early turnround in its for-

In Hong Kong, a Star repres

tative refused to comment on a

possible tie-up with Carefree, but hinted at an announcement soon.

A Carefree representative also

Under Star TV's proposal, three

But CCTV's ambitions pose a

potential obstacle to Mr Mur-

docb's plans. A western media

said senior executives wanted to develop their own cable network

and had already set up

But if Star does secure cable

access to China's vast TV audi-

ence this would almost certainly

prompt a "gold rush" by other

broadcasters. Star would be most unlikely to be given a monopoly

tive dining rooms, each nne bear-

ing the name of a European com-

Now the directors eat in the

ground-floor staff restaurant, and the guest dining room is

In early 1993 the EBRD was

engulfed by controversy over the

extravagance of its £55.5m expenditure on fitting out the

building. Under beavy attack for his own profligate management

The new regime of Mr Jacques

de Laroslère was quick to change

course and for the past 21/2 years

the EBRD bas been on a crash

slimming course. Saws are cut-

ting into the carefully crafted

wooden floors at the top of the

building to install sockets and

wiring for PCs for the bankers.

The architecture critics wbo

beaped plandits on the building

at its inauguration may well be

appalled, but the EBRD is clearly

boping that the impact on its

shareholder governments will be more benign, as it seeks backing for a doubling of its equity capi-

tal at its annual meeting in

Sofie, Bulgaria next month.

style, Mr Attali departed.

next door with the same food.

poser, are being dismantled.

channels would provide enter-

tunes are not good.

tainment and sport.

such e service.

concerned they are not correct," said a CCTV spokesman. Star TV executives are discussing a memorandum of understanding with Carefree, which has representation in both Hong

Kong and Beijing. However, it is not clear if such a "bare bones" agreement will lead to anything roncrete for Star.

Approval would almost cer-

losing \$80m-\$100m a year, has been exerting pressure on his Hong Kong executives to break into the China market. "Rupert is on their backs the whole time over the China thing," said the representative of a western satellite provider whose company has business with Mr Murdoch's

pledges crackdown on terror networks

Peace will prevail."

mate resistance against Israeli occupation of Arab lands, held in defiance of United Nations reso-

The summit also brought

bombings in Israel.

Mr Clinton is co-host with Egyptian President Mr Hosni Mubarak of the one-day summit in the Egyptian Red Sea resort of Sharm el-Sheikh. The US president said of the Palestinian Islamist group, Hamas, whose four suicide attacks in nine days killed 58 Israelis: "You will not succeed; your day bas passed

In a message to the summit, Hamas defended its use of armed attacks against Israel as legiti-

Mr Arafat and Mr Shimon Peres, Israel's prime minister, who is struggling to avoid defeat by a right-wing coalition at elections in May, both said they were satisfied with the summit conclusions. Mr Arafat said later that Israel had given assurances that the blockade would be eased in

dent Boris Yeltsin. US officials said Mr Clinton, who arrived in Israel last night to demonstrate support for Mr Peres Mr John Deutch, CIA director, to

the 'glistening' bank and as many as 20 countries mainly in Africa, could benefit By Kevin Done, East Europe Europe, is coming to terms with its lavisb early years. The 12th floor is being given from proposals, nearly a year in A trust fund, set up and The slabs of rough-bewn Carrara over to training and offices for administered by the bank, funded marble, the mirrored ceilings the banking staff. On the 11th from the bank's surplus incoma and by ald donors. This, says the floor the long corridors of execu-

Day of reckoning

rubs the shine off

and the marble floors still adorn the entrance halls of the Europaper, "would be used to prepay pean Bank for Reconstruction or service a portion of the multiand Development in the City of lateral debt obligations" of eligi-London. But on the 11th and ble beavily indebted poor countries. The size of the fund is not 12th floors, the building workers have moved in. disclosed, but could involve

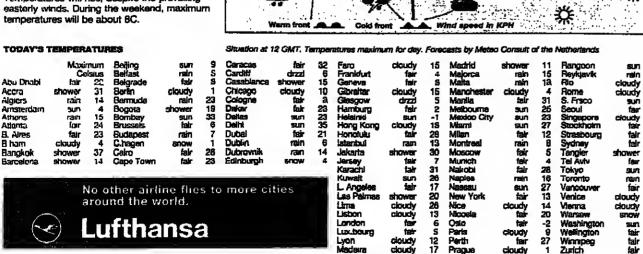
The beautiful light sycamore panelled offices, where Jacques Attali once held court on the top floor as the first president of the EBRD, bave been given over to the more mundane purposes of a training room.

Flip charts, an overbead prolector screen and utilitarian chairs and desks clutter the view of the exquisite designer cabi-

nets and bookshelves. Tha moment of final balance once ironically called the "glistening bank", has arrived. In its profit and loss account for 1995, the bank says the depreciation charge bas been doubled to Ecu21.46m (\$26.8m) following "measures taken to achieve a more efficient use of the bead-

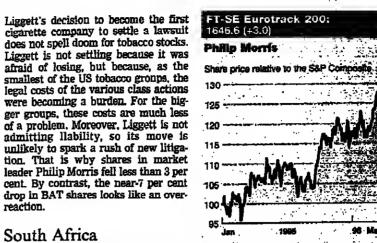
quarters building". Bebind the cold figures, the bank, established in 1991 to assist in the painful transition process in central and eastern

FT WEATHER GUIDE High pressure over north-western Russia will LOW circulating around the high will sweep across temperatures below seasonal levels. Eastern Europe will have cloudy periods with patchy snow in Poland and the Czech Republic. The Benelux, Germany and north-eastern France 1000 will be dry with sunny periods. A series of low towards southern Europe. As a result, Ireland rainy periods. Spain will have several showers. Plenty of rain is also expected in southern Italy, south-east Europe and later in Turkey. Southern Low pressure areas will linger over the UK and southern Europe, producing cloud, showers and Temperatures will rise, despite the prevailing



THE LEX COLUMN

Smoke alarm



South Africa's government may be

cash-strapped, but yesterday's budget

underlines its eagerness to woo inves-

tors. Taxes on share transactions and

dividends have both been halved; and

the new tax on pension funds' interest

and rental income is less draconian

than feared. The nagging problem remains the bloated budget deficit.

This is to be cut a little. But at 5.1 per

cent of gross domestic product next year - a figure flattered by oil sales -

The deficit is eating up a hefty chunk of South African savings, which could otherwise be financing

growth-generating private investment.

And it is keeping real interest rates too high. Meanwhile public spending is still growing faster than inflation,

taxes are growing even faster and pri-

vatisation proceeds are still nil. This is

not a helpful cocktail for an economy

whose biggest need is to accelerate its

Many in South Africa will also have

been disappointed not to see further relaxation in exchange controls: expec-

tetions had been running high. Given

the recent sharp drop in the value of

the rand, it is perhaps not surprising

that the government is cautious. But the rand's fall is really a reason for

pressing on, not bolding back. For one

thing, until exchange controls go,

speculation about further relaxation

will itself encourage volatility of pre-cisely this kind. For another, now that

the currency has fallen, the market is

British Petroleum certainly knows

how to please investors. The compa-

ny's new target - a 50 per cent

increase in earnings over the next five

case for getting on with it.

years – is no more than most were expecting. But what cheered the market was that BP managed to make this goal, which amounts to boosting earnings by \$1.5bn, look easy; new targets for its individual divisions add up to additional earnings of \$2bn, even without including the \$200m cost savings expected to flow from BP's recent deal with Mobil.

Achieving all these divisional figures, though, would be a minor miracle. They assume, for example, that new investments – in service stations, and in Asian chemicals - will generate \$450m in extra profit. This would amount to a post-tax return of 15 per cent, which looks distinctly optimistic. And although cost-cutting in refining and marketing is excellent news, how far it will feed through to healthy profit increases is debatable: competitors will inevitably follow suit, and prices will fall. Moreover, the targets assume that external circumstances -such as the oil and chemicals prices -

will not change. That is most unlikely: On the other hand, even if investors should take BP's more aggressive divi-sional targets with a pinch of salt, they should not criticise the company for setting them. On the contrary, they should take comfort from the fact that, by setting tough targets, BP's management is atill pushing the business to perform.

more likely to take relaxation in Its Unilever stride. Everyone agrees that the con-trols should go: there is a powerful

Unilever's management reorganisa-tion is a long overdue bit of moderni-sation. By the group's own accountmost of its top executives had a mix of responsibilities, setting strategy in some areas and running operations in others. As often as not, the result was confusion. In future, a seven-man committee will set the strategy, while 14

new business groups are being set up actually to run things. That Unilever bas only just recognised the need clearly to separate the two speaks volumes about its culture - most of its competitors have been operating like

this for years.

How quickly this exercise leads to change on the ground remains to be seen. After seven months of gestation and the employment of four separate management consultants, the market was hoping for something more far reaching. But Unilever is acutely aware that it has been losing ground to rivals like Procter & Camble. As the new structure is implemented over the next few months, it is likely to trigger

further restricturing and disposals.

Even so, Unilever has shied away from a more fundamental reorganisation. The group will continue to operate with two boards, two co-chairmen, separate headquarters in Holland, and the UK and true classes of charse. the UK and two classes of shares. A commitment to sweep away that dual structure - as tax and legal issues permit - would have given yesterday's reorganisation real blte.

Reed Elsevier

Reed Elsevier is preparing the mar-ket for its next big deal. The sparkling performance of Lexis-Nexts, the media group's last big \$1.5hn purchasa, suggests investors should welcome the prospect. Operating margins at the US legal publisher have risen from 10 per cent in 1993 to 19 per cent last year. The effect has been to boost Reed Elsevier's pre-tax profits by £24m (\$36.7m), once the cost of financing the acquisition is deducted.

The near 7 per cent, enhancement to earnings has been aven sharper because of the deal's tax-efficiency. If Reed can improve Lexis-Nexis' margins to the 25 per cent enjoyed by West Publishing, its main rival, share-holder value will have been dramatically improved. The next acquisition could be big-

ger. Without a purchase, Reed Elsevier will have no net debt by the year-end. Even a £3bn acquisition could be com-fortably financed, as net debt would only be a quarter of the group's market capitalisation. If Reed Elsevier could work the same magic as it has with Lexis-Nexis, shareholder value would again be enhanced. Anybody tempted to invest in anticipation of such an acquisition should buy Reed shares which, for some mysterious reason; are 14 per cent cheaper than

> Additional Lex comment on Schroders, Page 22

This announcement appears as a matter of record only. December 1995



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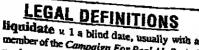
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SBC Warburg

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COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1996



IN BRIEF

Novo Nordisk rise defies moving rates

Pre-tax profits from Novo Nordisk, the Danish pharmaceuticals and enzymes producer, increased 12 per cent from DKr1.93bn to DKr2.15bn (\$376m) last year, but sales and earnings were held back by exchange rate movements. Turnover was up by I per cent to DKr13.72bn. Page 17

Anseti shakes up top management



A big management shake-up has been announced at Ansett Airlines, the Australian carrier which is owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the transportation group. Mr Ken Cowley (left), who heads News Corp's operations in Australia, said he would remain executive chairman. Mr Graeme McMahon, the chief execu-tive, is to retire and the new chief operating officer

Is Mr Hugh Thorburn, Page 21 Greece values OTE at \$6.96bn

Greece has set a price of Dr4,000 (\$16.50) a share for the privatisation of 6 per cent of OTE, the state telecoms monopoly, through a listing on the Athens stock exchange later this month. The price values the company at Dr1,687bn (\$6.96bn). Page 17

Olivetti to challenge Telecom Italia Olivetti, the Italian computer group, is to step up its challenge to the dominance of Telecom Italia, the state-controlled telecoms company, by launching a competing long-distance phone service in June, Page 18

Thomson earnings advance 9.8% Thomson Corporation, the Toronto-based publishing and travel group, announced a 9.8 per cent advance in 1995 earnings. Overall earnings, excluding gains from the sale of UK regional newspapers, climbed to US\$469m. Page 20

Coles Myer posts sharp fail Shares in Coles Myer, Australia's largest retailer, slid after the group announced sharply-reduced interim profits of A\$194.5m (US\$150m) after tax for the six months to January 28. A year ago, Coles

made A\$272.9m. Page 21 TVE rejects \$149m bid from SCMP TVE, the Hong Kong media and property group, has rejected a HK\$1.15bn (US\$149m) bid from South China Morning Post Holdings, dismissing the logic and price of the offer. Page 21

Reed reveals \$56n acquisition potential Reed Elsevier, the Angio-Dutch publishing and information group, said it was keeping a close eye on a "wish list" of possible acquisition targets and has around \$5bn available this year if the right opportunity came along. Page 22

Oil price hits two-month high price rose for the third day in succession hitting its highest point in London in more than two months. Page 28

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Thursday March 14 1996

Krupp resumes payout after leap to DM505m

By Michael Lindemann in Bonn

Krupp, the German steel and engineering group, is to pay a DM5 dividend for 1995, its first since it became a joint stock company in 1992, after reporting a leap in annual net profits to DM505m (\$340m) from DM40m.

The company said there had been strong demand for its core steel-based products but that it bad also benefited from a restructuring programme begun three years ago after its merger

Krupp on core activities - steel, plant, automotive engineering and trade - and to move production outside Germany where it is vulnerable to the strong D-Mark. Sales rose 15 per cent to DM23.5bn, up from DM20.4bn a year earlier. Mr Gerbard Cromme, chief

executive, warned that 1996 would be s

with Hoesch, its one-time rival. A number of businesses have been sold and others acquired to focus the unexpectedly sharp downturn in the German economy in the fourth quarter of last year. The company's share price responded, falling DM5 to close at DM202. Mr Cromme said the group had taken advantage of the improved results to carry out "a number of measures" to strengthen the com-

paoy's balance sbeet. These would be specified when final results are published in mid-May. The improved results had also

enabled the company to pay off a "more difficult" year because of charge of DM200m which had been carried forward from losses in 1993 and 1994, Mr Cromme

Krupp's net debt, which had risen to a high of DM5.8bn as result of the Hoesch merger and the recession, had been reduced by DM1bn to DM3.6bn, bringing down the group's gearing - the ratio of net debts to equity capital - to 1:1, down from 1:7 last year, Mr Cromme said. The company's equity ratio now stood at 19 per cent, up from 15 per cent

kept net profits lower in order to avoid a discrepancy with the 1996 results, which could be worse than expected for a number of Krupp's heavily cyclical industries if the economy does not pick up in the second half as pre-

A foretaste of possible slower growth emerged yesterday when the VDMA engineering association reported its new orders for

Analysts described the January. Price adjusted orders, improved results as "conservative" and said the company had sales, fell B per cent in the three months to January, while sales rose 6 per cent during the same period.

Although Krupp is still major ity owned by the Krupp founda tion, the government of Iran and the WestLB public sector bank, it is trying to increase its profile among investors and will, for the first time, present its results to investment analysts in May. Rebirth of a titan, Page 16

Unilever to streamline management structure

By Roderick Oram, Consumer Industries Editor

Unilever unveiled a new senior management structure yesterday designed to make the Anglo-Dutch consumer goods group more nimble in mature and

developing markets.

It fell short, however, of the radical reorganisation that investors, particularly in the US, had expected, "It's evolutionary and positive but it isn't going to catapult Unilever to the top of the multinational consumers goods league," one London analyst said. "This might improve the qual-

ity of strategic decision-making but it wan't improve the speed." added another. Unilever said it had rejected dissolving its dual nationality or breaking up. Huge tax liabilities argued against the first and loss

of synergy against the second. Sir Michael Perry and Mr Morris Tabakshlat, co-chairmen, said the new structure separated strategic leadership from business execution more clearly than in the past. For example, the top

executives had been "product particularly in the UK. co-ordinators" responsible for global strategy, but also profits in North America and Europe. The board sometimes found it

hard to take neutral decisions,"

Sir Michael said.

Under the new organisation, a seven-man executive committee of the board would target markets and businesses to develop and allocate resources to them.

Below this committee, 14 business groups, each headed by a president, would be responsible for operations and profits. Three examples were Food and Beverage Europe, Foods North America and Latin America. The structure dealt only with

the top of the group and, there-

fore, would not have prevented

Unilever's damaging detergent problems in 1994-95, the cochairmen told analysts. A flaw in Persil and Omo Power, undetected lower in the management ranks, caused the detergents to react badly with some dark clothes dyes, Unilever suffered a loss of consumer credi-

A leading architect of the new structure was Mr Niall FitzGerald, who co-ordinated the detergent businesses at the time. He will lead the implementation of the plan before be succeeds Sir

Michael as chairman of the UK arm of Unilever on September 1. Pressure for structural change. an issue gripping other large con-sumer products groups such as Nestle of Switzerland and the US's Procter & Gamble, has mounted fast in the 1990s.

To keep profits growing, the companies need to respond rapidly to opportunities in emerging markets and new business areas. In mature markets and products, they need to win back consumers turning to own-label products, which have become high quality, competition for them.

Champions of brands, Unilever and its competitors believe they can push back the rising tide of own-label products if they can tempt consumers with new prodncts at the right price. But rapid innovation requires entreprebility, market share and profits. neurial executives. investment,



Seeking simplicity: Morris Tabaksblat (left) and Sir Michael Perry, co-chairmen of Unilever

those resources across markets.

The problem is most scute for Unilever because of its dual nationality. The operations of Unilever plc in the UK and Unilever NV in the Netherlands are co-ordinated by two co-chairmen and a complex committee system. People in Unilever can point to

dozens of cases where this complexity has worked against them.

technology and a flexible man- But the two most pertinent only latterly have savings been agement system to co-ordinate recent examples were Unilever's flawed Power detergents and its difficulty reaping benefits from cost cutting in the 1990s.

On costs, Unilever took nearly £800m (\$1.2bn) of restructuring charges in two stages in the early 1990s, One aim was to move from national to continent-scale manufacturing in some products. But savings from the first tranche were spent largely on marketing; Lex, Page 14;

squeezed from the second. The new structure is a "clarification of what people stand for." Mr Tabaksblat said.

However, analysts cautioned that Unilever also faced a big task to reorient hundreds of its subsidiaries to the new structure. It risked losing touch with consumer markets or track of costcutting activities in the process.

Provisions set to drag **UAP** into FFr2bn loss

By Andrew Jack in Paris

UAP, France's largest insurance group, yesterday warned that it would need to take new provisions of FFr4.5bn (\$880bn) against property and other investments, which would drag it into losses of FFr2bn for 1995.

It also said it planned to restructure its Banque Worms subsidiary and the UAP holding company, and that it was likely to sell substantial parts of its portfolio of French shares, in transactions which could amount to several billion francs.

The announcement comes two weeks before publication of the group's results and follows a board meeting which approved the figures following the results of an audit commissioned to examine its assets last autumn.

The bulk of the new provisions

some FFr2.9bn - relate to

Banque Worms, the banking arm UAP acquired in the mid 1980s and which hecame heavily involved in loans to property developers. The bank's FFr13bn property portfolio has already been transferred to the parent UAP group, and the additional write-downs will bring the rate of cover against doubtful loans to 66 per cent. In addition, it now has the objective of reducing the ratio of banking income to operating costs from 85 per cent to 65 per cent in the next two years. This is likely to lead to substantial job losses.

Mr Dominique Bazy, UAP's deputy managing director, stressed yesterday that there was no plan to sell Banque Worms, but rather one to integrate its operations more closely with those of its parent. He said the additional property write-downs were designed to reflect realistic values and ensure the assets would cover their own financing and management costs by 1998.

The other large provisions, of FFr1.3bn, are against UAP's investments in French equities and reflect its decision to liquidate some of its boldings to generate additional income. About 20 per cent of its investments are in the form of shares, and about 90 per cent of these are held on the Paris bourse. UAP is also making provisions of FFr300m to cover a restructuring of the bolding company, with the aim of cutting its management costs by 25 per cent over the next 18

Mr Bazy said UAP should return to profit in 1996, and as a measure of its confidence was maintaining its dividend of

Overhauled SBC lifts income 30% to SFr1bn

By lan Rodger in Basie

Two big acquisitions and strong profits from private banking helped Swiss Bank Corporation, Switzerland's third largest financial services group, lift its 1995 net income 30 per cent to SFr1.05bn (\$872m).

The advance was greater than those reported by rivals Union Bank of Switzerland and CS Holding. But SBC, which has overhauled its management and structures in the past two years, was coming from behind. Its 7.5 per cent return on equity in 1995 still only matched that of UBS and lagged the Credit Suisse-

based group's 8.7 per cent. tive. Was confident of further improvement this year. "This will take us a significant step closer to attaining our medium-

range return on equity target of 10 per cent post tax," he said. SBC's two big 1995 acquisi-tions, the London-based SG Warburg investment bank, and the US Brinson fund management, made positive contributions to net income. Mr Peter Wuffli. finance director, estimated that without them, the group's net income would have been about SF1900m.

Net operating income jumped a

third to SFr8.88ho, with 40 per Provisions and writedowns two small acquisitions to Mr Georges Blum, chief execu- cent of the growth attributed to soared by two-thirds to strengthen its corporate finance acquisitions, which also inc a Swiss regional bank. Thanks to Warburg. Brinson

and continuing growth in the high margin private banking side, net commission income surged 26 per cent to SFr3.29bn. Net interest income rose 6 per cent to SFr2.8bn while trading profits more than doubled to SFr2.27bn. Mr Blum said commission busi-

ness displaced lending as the most important profit source and proprietary transactions accounted for only a tenth of trading income.

SFr1.69bn, partly because of acquisitions but mainly due to the deterioration in Swiss assets. That left pre-tax profits up 22.3 per cent to SFr1.34bn, compared with a 7.8 per cent fall at UBS and a 24.2 per cent gain by CS. The SBC Warburg investment banking division achieved a net

income of SFr663m on revenues of SFr3.83bn while the SBC domestic side made net income of SFr815m on revenues of Mr Marcei Ospel, chief execu-

tive of SBC Warburg, said his division was looking for one or

and research activities in the US He brushed aside two recent setbacks. The loss of the Halifax Building Society brokerage account was "not pleasant", but the bank boped to continue to do some business with the UK's largest building society. The selection by Basle neighbours Ciba and Sandoz of US investment banks to advise them in their merger was also a disap-pointment. "At least if they did oot take us. . . . they did not take any other European house." Mr Ospei said. Warburg results, Page 18

BP rises sharply and lifts hopes of share buyback

Resources Editor

British Petroleum raised the possibility of a share buyback yesterday as it laid out its earnings targets up to 2000.

The news triggered a sharp rise in BP's share price. The shares

closed at 545%p, up 14p on the day and 5p short of their all-time In a briefing for analysts, Mr John Browne, chief executive of the international oil group, said BP aimed to increase earnings by

8 per cent s year between now and 2000. This would raiss annual income by about \$1.5bn a year to \$4.5bn.
Mr Browne indicated that capital spending would increase by only about 4 per cent a year, leaving a growing fund of surplus resources. A portion of this would be used to reduce debt and make investments. But in good times the remainder would be returned to shareholders "by

whatever means are most appro-

priate". This was taken by analysts to indicate a share buyback. Any special payout would be in addition to regular growth in dividends, which would be based on s 50 per cent payout from underlying earnings. The details laid out by Mr Browne were intended to mark a new era in the company's growth following the selback four years ago which led to the ousting of its previous chair-

man, Mr Bob Horton. The biggest change would be a switch from cost cutting to volume growth. After shedding several businesses and putting three refineries on the block, BP's scope for further cost cutting has been reduced. Future growth would have to come from manag- Lex, Page 14



ing resources better and exploit ing' new opportunities. Mr Browne said.

Earnings growth, which had been running at \$500m-\$500m a year, would fall to a more modest but more strongly based \$300m a year. The main sources of growth would be higher volumes and margins on oil and gas production, higher returns on downstream activities such as refining and marketing, and a stronger performance from chemicals.

The projections did not include the benefits of the agreement with Mobil to pool European downstream operations, which will bring BP \$200m a year after

Analysis described BP's projections as conservative and capable of being exceeded. Mr Paul Spedding at Kleinwort Benson, said that the target of \$4.5bn by 2000 was "already in the bag", and any improvement in performance would carry the result higher.

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How Cromme engineered the rebirth of a German titan

Michael Lindemann meets the man who organised the country's biggest hostile takeover and upset the Ruhr

r Gerhard Cromme raraly gives the impression of dithering. Choosing a career was something he did with typical single-mindedness. Despite hailing from an academic background - his father taught Latin and Greek and young Gerhard learnt both - he was never in much doubt about what he wanted to do.

"I wanted to make things happen, to have a hand in shaping things," he says, as he sits in the back of a company minibus racing along a north German motorway after a day prohing management and workforce at Hoesch Rothe Erde, one of about 50 Krupp

Since becoming chief executive of Krupp in March 1989, be has certainly made things hap-pen. He has engineered one of Germany's first - and biggest bostile takeovers by snapping up the Hoesch steel and engineering conglomerate in neighbouring Dortmund.

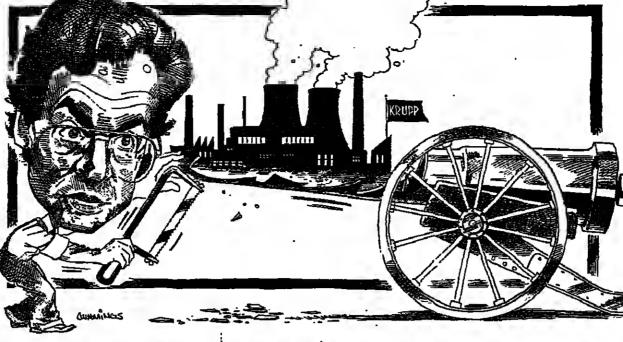
It was a coup which riled many in the Ruhr area, the beartland of German industry where consensus is still preferable to confrontation. In the process be also took on Deutsche Bank, which was advising

He has also had the opportunity to confroot thousands of steelworkers, furious that Krupp wanted to shut down its Rheinhausen steelworks. The move was aimed at streamlining the merged group's steel operations. Many workers spent months outside Mr Cromme's house venting their

But despite such pressure, the lanky chief executive persevered. He has given a new lease on life to a conglomerate which in the 1980s had an unfortunata hahit of losing chief executives and came dangerously close to becoming an industrial relic.

The Hoesch takeover, Mr Cromme says, was instrumental. It was something his predecessors at Krupp – and those at Hoesch, too – had toyed with in the 1950s. The merger almost doubled sales to DM28bn (\$18.9bn) and allowed the company to expand its core activities and give them a greater international reach.

He bought Acciai Speciali Terni, the Italian stainless steel producer, and persuaded Thyssen, Germany's biggest steelmaker, to bring its stainless operations into a joint venture led by Krupp Hoesch. The the world's largest stainless



steel producer with sales of DM6.5hn and a 17 per cent share of the world market, just ahead of the French steelma-

ker Usinor Sacilor. In the antomotive division, too, a merged Krupp Hoesch was able to a offer broader

ing entire axles and steering systems rather than just shock absorbers and other individual components. The additional scale and more sophisticated products has opened up new markets, Mr Cromme says. The group is negotiating to supply products for the first time to

Renault, the French carmaker. Mr Cromme hopes to do the same with the plant-making division, a normally lacklustre business. He has spent about DM700m to buy Uhde, the plant-making unit of the Hoechst chemicals group. This business will complement

Krupp Koppers and Krupp Polysius - two husinesses tional stage by themselves.

RESTRUCTURING PROGRAMME

which, Mr Cromme says, had few prospects on the interna-He has also disposed of not fit into Krupp Hoesch's

Harnessing the merger's 'energies'

way to sell the mining and construction equipment division of man corporate history. Orenstain & Koppel, another. well-known Krupp name.

Having got this far, however, what happens next? Mr Cromme himself admits that Krupp Hoesch continues to produce what he calls "prod-

ucts of the second industrial

Other one-time steelmakers like Thyssen and Mannesmann have ventured into telecommnnications with varying degrees of success. Some believe Krupp should find new activities with which to supplement its traditional steel and engineering

Mr Cromme, though, is not impressed. Telecoms businesses require considerable returns for new would-be players. Besides, he points out, in the early 1990s when these investment decisions were being made, Krupp was fight-ing to keep its head above water. It had no money for new husiness like telecoms.

"We are industrialists, not visionaries," he likes to say, a veiled reference to Mr Edzard Renter, the former chief executive of Daimler-Benz, whose aerospace and electronic engi-neering purchases in the early

Talks are currently under 1990s have led to a DM6bn loss this year, the largest in Ger1000 129

Instead, Mr Cromme says, Krupp will go on expanding its core steel and engineering activities and expand abroad in countries like Mexico, Brazil and India, and above all in Asia. "We now have the money to take advantage of chances which become available worldwide. Those chances exist and the risks of building up activities are considerably smaller than if we venture into

new ones." There are other changes, too. at Krupp. Because 85 per cent of its equity was held by a motley collection of shareholders made up of the Krupp foundation, the government of Iran and the Düsseldorf-based WestLB public sector bank, the company aroused little interest among investment analysts.

It is not clear that any one of of all the Krupp foundation which holds 52 per cent, but Mr Cromme hopes he can spark mora interest among analysts and investors. For the first time he will invite them to Essen in May to take them through the company's accounts on the same day it publishes its full annual

Shadow of Big Bertha now cast off

History, and it is something Paris in 1914, eye witnesses that Krupp executives are still recalled how "the pavement touchy about, has earmarked Krupp as one of the world's biggest arms manufacturers.

In ber award-winning book August 1914, Barbara Tuchman relates how in 1914 the company built, in utmost secrecy, a gigantic siege gun hetter known as the Big Bertha, in honour of Friedrich Alfred Krupp's eldest daughter.

With a 16.5 inch calibre, the gun was the largest the world which weighed ninety-eight tons, fired a shell a yard long weighing 1,800 pounds at a range of nine miles and required a crew of 200 atten-

When the guns were pulled into Liège, the first obstacle on the German push towards

trembled" when they fired -"the earth shook like an earthquake and all the window panes in the vicinity were shat-

Up to 50 per cent of business in the run-up to the first world war was arms. Later, during the second world war, Krupp was the leading builder of the battle cruisers, U-boats and tanks which equipped Hitler's armies. In 1945, the company employed 277,000 people, many of them forced labourers and about 50,000 of whom were still on the payroll even though they were soldiers on active

Given its position at the heart of Hitler's arms making apparatus, the Allies attempted to pull the company to bits

after the second world war, forcing the Krupp family to sell the steel and coal business at The divestment orders were

never properly fulfilled, in part because there were no huyers for these businesses, but they hung over the company until Now, as part of the sweeping

changes within the company, that too has now changed, to such an extent that Krupp no longer has anything to do with arms making. The husiness of hullding turrets for Leopard 2 tanks, e joh which used to he done by

the Kiel-based Krupp Mak, was sold to Rheinmetall Industrietechnik in 1990 in an effort to focus MaK's activities solely on a range of new diesel engines The firing systems for tanks,

part of Krupp Atlas Elektronik, were also sold off in 1991, in this case to Bremer Vulkan, the shipbuilding and engineer-ing group which recently had to file for protection from its

Mr Gerhard Cromme, chief executive, cannot suppress a wry smile when be points out that the arms husinesses were sold at a time when Daimler-Benz, Germany's biggest indus-trial group, was still busy con-solidating its newly acquired aerospace and defence interests. Those businesses are now haemorrhaging money to such an extent that Daimler-Benz has forecast a loss of DM6hn for 1995 - the worst loss in German corporate history excepting fraud or bankruptcy.

Mr Gerhard Cromme says the takeover of Hoesch, one of Krupp's oldest rivals, was an operation which was minntely planned. He occasionelly admits that he was quite lucky that it all went as planned. What most definitely sur-

prised him were what he describes as the "energies" released by the takeover. "Both companies had rigid, encrusted structures which came apart when people realised what new opportunities presented themselves following the merger," he says. In part to harness those "energies", he drew up a pro-gramme to review all tiers of management and peer into every nook and cranny of the sprawling conglomerate to work out what could be done better in future.

The restructuring programme was drawn up by the Boston Consulting Group, but from the outset Mr Cromme wanted Krupp employees themselves to see the project through. "I didn't want any clever consultants to come and make smart comments and then disappear again," he said.

which stands for clients, costs, creativity and communication is being religiously applied at each of Krupp Hoesch's several dozen subsidiaries.

At Hoesch Rothe Erde, the world's leading maker of siewing rings and one of the group's best earners, it emerged, for instance, that the people taking in new orders and those processing them worked in completely different

processed as quickly as they. should have been, partly because of the endless to-ing and fro-ing between offices. The relevant amployees have since been moved next to each-

progressing more quickly. The aim is to halve the processing times compared with what they were when 4K was first introduced last May. "You may not think that ona difference," Mr Cromme says,

other and already orders are

sitting across the table from the twelve 4K Sprecher, or spokesman, who have been appointed at HRE. "But I can assure you that cumulatively they will make a difference." The 4K programme seems to he having some effect. The first time Mr Cromme stood up

ees hoping to have a lively discussion about the shortcommgs of the 4K project, barely

On the most recent trip employees straight off the shop-floor were prepared to take on their chief executive even though most of them were meeting him for only the second time. "It became clear that at first

the people in middle management were blocking the 4K afraid it would reflect poorly on them," Mr Cromme said. "That has meanwhile changed. There is a certain layer of concrete that you have to get through to reach the work-

March 1996

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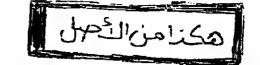
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INTERNATIONAL COMPANIES AND FINANCE

Novo Nordisk up 12% despite currency effects

By Hilary Barnes in Copenhagen

MARCH 141996

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grayer, may be seen to the

Marie Committee

38.34 (2.81) - \$448.74

146 M. Oak

हैं के के निवास्त्रक देश

Pre-tax profits at Novo Nordisk, the Danish pharma-ceuticals and enzymes pro-ducer, increased 12 per cent from DKr1.93bn to DKr2.15bn (\$376m) last year, but both sales and earnings were held back by negative exchange rate movements.

Turnover was up by only per cent, or DKr200m, to DKr13.72bn. A suhstantial increase in sales by volume and product mix was offset by a 6 per cent appreciation of the krone against Novo Nordisk's invoicing currencies, a preliminary statement said.

Operating profits also increased by 1 per cent, by DKr28m to DKr2.07bn, but with unchanged exchange rates they would have risen 20 per cent.

Last year showed net financial income of DKr78m, against a net cost of DKr118m in 1994. There was an increase in earnings per share from DKr38.17 to DKr41.66. An unchanged dividend of DKr5 a share was proposed.

The result was in line with

analysts' expectations bot was greeted with a DKr2 increase in the share price to DKr767. Novo Nordisk attributed last year's advance to its strategy of concentrating on core busi-

It disposed of its less profitable activities, including the biological plant protection divi-sion, a bulk penicillin plant in Italy and a blood plasma unit, and is closing an enzymes factory in Japan.

Income of DKr587m from asset disposals and a reduction in investment in tangihla assets were the main factors in an increase in free cash flow from DKr399m to DKr1.51bn. The group forecast an

increase in operating profits by 15-20 per cent in 1996 if exchange rates remain stable. Costs are expected to grow more slowly than sales, but total costs will increase as a result of a further strengthen-

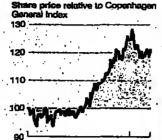
ing of the healthcare division's marketing organisation outside Denmark, and the introduction costs of a new epilepsy treatment and a product for haemophilia patients with an antibody reaction.

COMPANY PROFILE:

Novo Nordisk

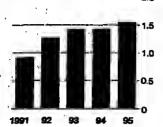
Market capitalisation DKr24.6bn Main listing Historic P/E 20.04

Earnings per share (1994) DKr38.17 Current share price



and dlabetics care products rose hy 4 per cent to DKr6.74bn, bot the group said sales in the important US market advanced only marginally. Daliveries to the US were back to normal after delays in bringing an insulin plant to North Carolina on stream in 1994, hut progress last year was less than expected.

Sales of other bealthcare products, including female hormone therapy products, antidepressants and human growth hormones, increased by 20 per cent to DKr3.29bn. Sales



by the industrial enzymes division slipped 2 per cent to DKr3.38bn. Volume sales were ahead hy

8 per cent, but the krone appreciated by 8 per cent against the currencies in which enzymes are invoiced. The group noted that taxes, which, at DKr599m last year,

were 27.5 per cent of pre-tax profits, will rise to 29 per cent next year as a result of changes io the Danish tax Since 1993 the tax take has

risen from 23.9 per cent.

Murdoch learns to be a partner

The link with BSkyB means a lot to Bertelsmann, says Judy Dempsey

chairman of News Corporation, will not control the new digital television alliance forged last week between BSkyB, his UK satellite company, Canal Plus, the French commercial television company, and Bertelsmann. Germaoy's largest media

Instead, according to Mr Michael Dornemann, head of Bertelsmann's BMG Entertainment and who helped master-mind the alliance, "it will be a partnership of equals, with Bertelsmann managing the German side of the operations". The partnership intends to

invest \$1bn over the next five vears and aims to win about 5m subscribers within seven years. "We will get it together bit by bit," said Mr Dornemann yesterday. But be warned that the development of digital television in Europe would be slower than people expected.

Mr Dornemano, who retreated last Sunday to the Swiss mountain resort of Zermatt after clinching the deal with Mr Murdoch, must have anticipated the question about whether Mr Murdoch would swallow up Bertelsmann. He laughed. "If possible, you like to take cootrol in business. But if you have partnerships, there is no way only one [partner] will dominate."

The alliance with BSkvB means a lot to Bertelsmann. and especially to Mr Dornemann who has spent months flying between New York, where BMG is based, Los Angeles, Paris and Gütersloh, the German headquarters of Bertelsmann. He belleves the deal will fundamentally shape its future strategy.

Bertelsmann's core bosinesses - books, hook clubs, music, magazines and publishing - will continue to be developed. The books division last year had sales of DM6.8hn (\$4.59bo) and BMG Entertainment, which includes television and music publishing, had sales of DM7.8bn. Croup net profits rose 6 per cent, from DM759m to DM805m, on sales

of DM20.6bn. But the alliance with Canal Plus and Mr Murdoch will, in Mr Dornemann's view, test Bertelsmann's skills at running television and developing digital television. Its previous experiences with television have not beeo good. Vox, Bertelsmann's private - and free - channel, was saved from bankruptcy two years ago by Mr Murdoch who bought a stake and turned it around,

"And he did not dominate

that," said Mr Dornemann.

(CLT), Bertelsmann's skills have never been tested. CLT has always called the shots. But Bertelsmann expects to have greater influence over

strategy now that, together with its allies, the WAZ newspaper group, it has 50.1 per cent of the shares. But it is Premiere Germany's only pay TV, that will be crucial to

Bertelsmann and Mr Murdoch making digital television a success in Germany. Premiere has 1.1m viewers and, says Mr Dornemann, is growing at the rate of 3,000

largest commercial television

network, which enjoys a 16 per

cent market share and which

is also owned by the Luxem-

bourg-based Compagnie Lux-

embourgeoise de Telediffusion

new subscribers a day. It is owned by Bertelsmann, Canal Plus and the Kirch group and running up annual losses of at least DM40m. Mr Dornemann would like Mr Murdoch to bold a stake in Premiere, but for the moment any change in the shareholding structure is not feasible. It requires consent from Kirch, and that is not yet forthcoming.

"We can live with the status qno," said Mr Dornemann, He said the alliance in any case

through which it would sell its thematic channels. And he was just as confident that even if Kirch launches its own competing decoding box aystem later this year, the product sold hy the Canal Plus/Bertelsmann/Murdoch alliance would

be superior. "We know that Bertelsmann is not strong on the program-ming side. We don't have the vast library that Kirch has But Murdoch has the content and the experiences. He has future products. He is a pack-

age man," said Mr Dornemann He believes it is brand new movies and pay-per-view sports which make up the added value. "Premiere bas the pay-TV football rights. Murdoch has other sporting rights. He has huge pulling power to attract other companies and channels to come through our network."

In the end, Mr Dornemann believes it will be the combination of new films and sporting rights which will swing the German - and European audiences to the alliance's digital television, giving it an edge on Kirch's empire. But in a note of cautioo characteristic of the Bertelsmann school, Mr Dornemann warned: "To underestimate Kirch would be

Greece sets price for flotation of

Dr4,000 a share for the privati-sation of 6 per cent of OTE, the state telecoms monopoly, through a listing on the Athens stock exchange later this month. The price values the company at Dr1,687bn

The announcement came as OTE officials launched a hast-

Bankers involved in the offering said the share price was higher than expected but appeared to reflect strong subscription, with another 4m

voiced concern that the jittery mood on Wall Street could affect demand for OTE shares

international offer.

By Kerin Hope in Athens

(\$6.96bn).

ily prepared "roadshow" for institutions in Paris, Edin-

said: "The government has pushed the share price to its upper limits, making it harder to sell overseas. But we expect the offer to be comfortably covered through the domestic.

Dr125 dividend for 1995, was fixed by a special government committee. To encourage local investors, the finance ministry has said funds used to bny OTE shares will not be liable for tax.

The subscription period will

However, bankers yesterday outside Greece.

Because the decision to offer shares to institutions abroad was taken at short notice, the company's prospectus is not yet available in English and OTE officials have been reluctant to give details of its

telecoms stake

Greece yesterday set a price of

burgh, London and New York. After the failure of two previous aftempts to place OTE shares with overseas investors, the government refused to set aside a formal international tranche this time but has accepted an offer by HSBC, Salomon Brothers and BZW to sell 4.5m shares in Europe and

domestic demand for the issue. A total of 20m of OTE'a 422m shares are being offered for being stripped out for sale on special terms to OTE employees and pensioners. One Athens-hased analyst

The price, which includes a

run from March 26-29, with trading set to start on April 19. The government said that if the issue was oversubscribed. another 2 per cent of the com-pany would be disposed of immediately.

The confirmation that extra equity would be available came as a relief to the international co-ordinators as National Bank of Greece, the state-owned bank acting as lead manager for the offering, is expected to give priority to domestic

CS First Boston and Schroders, who acted as global co-ordinators for both OTE's failed offerings in 1993 and 1994, have pulled out of the analysts said indicated doubts ahont prospects for the

---- Your Key Investment Bankers.

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SBC Warburg Annual Report 1995.

issued by Swiss Bank Corporation, acting through its division SBC Warburg, regulated in the UK by the SPA.

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Hoechst joins trend with strong increase

Aoechst yesterday reported a strong rise in profits and a higher dividend, following the trend set on Tuesday hy BASF and Bayer, its two German

The Frankfurt-based company announced that pre-tax profits had almost donbled from DM2.21bn in 1994 to DM4.09bn (\$2.76bn) last year, with sales up 5 per cent to

Net profits rose 65 per cent Like BASF and Bayer, Hoechst decided to raise the

dividend, from DM10 a share to DM13. Since some analysts had expected an even bigger rise, the market reacted cautiously to yesterday's announcement.

with Hoechst shares closing at DM470, down DM7. The strong performance of all three German chemical companies contrasts starkly with the economic gloom in most other sectors, which have been affected by the worsening German economy, rising wage costs and strong D-Mark.

In contrast, Hoechst yesterday cited a "favourable eco-nomic climate" as the reason for its good results, which were partly attributable to its strong presence outside Germany. Hoechst's figures come a day

after both BASF and Bayer announced pre-tax profits at approximately the same rate. BASF's dividend is to go up from DM10 to DM14, whereas Bayer's rises from DM13 to DM15. The Hoechst report was

issued after a meeting of its supervisory board, which opted to publish the results in a so-called "ad-hoc disclosure", a requirement under German

stock exchange rules. The company will give further details of its results at its annual news conference, taking place today.

In an effort to increase its attractiveness to smaller investors, Hoechst said it planned to reduce the nominal value of shares from DM50 to DM5, a practice that several German companies are adopting.

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EUROPEAN NEWS DIGEST

Grolsch predicts

Grolsch, the Dutch brewer, predicted further profits gains in

buoyant conditions created by the hot summers of 1994 and

1995. The forecast is based in part on the view that export

In 1995, Grolsch reported a 12.3 per cent increase in net

FI 630.6m. The company's domestic sales were in line with the

marginal growth seen in the overall Dutch beer market, but

figure for export growth, but said it was higher than the 10.3

per cent export increase achieved by the Dutch beer sector as

marketing costs and unfavourable exchange rate movements caused by the guilder's strength. Operating profits rose from FI 80.2m to FI 88.4m, a gain of 10.2 per cent. Net profit growth outstripped this rise because Grolsch also benefited from a

sharp increase in net interest income from F1 0.6m in 1994 to

Wolters Kluwer, the Dutch business, tax and legal publisher,

osted an 18 per cent increase in 1995 net profits to FI 452m (\$272m), matching the rate of growth reported in the first half of the year. Turnover rose 8 per cent to FI 2.94bn but would have shown an 11 per cent increase if exchange rates had

The company, which made a string of smaller acquisitions costing F1 285m in 1995, completed the biggest purchase in its history when it bought and consolidated CCH inc of the US, a

The \$1.9bn acquisition will boost Wolters Kluwer's 1996 sales

to around Fi 4.2bn, an increase of more than 40 per cent from last year. The seasonal pattern of CCH's husiness will mean

tax and legal publisher, with effect from January 1 1996.

that the Dutch group's second half will become more

Ronald van de Krol, Amsterdam

F13m in 1995, thanks partly to the conversion of part of a

subordinated convertible loan into shares.

Wolters Kluwer rises 18%

export volume shot up sharply. Grolsch declined to give a

Nevertheless, the strong export rise had only limited influence on overall results because of an increase in

profits to FI 58.8m (\$35.47m), on sales up 13.8 per cent at

further advance

1996, in spite of expectations that beer markets in

volumes will continue to grow.

north-western Europe will find it difficult to match the

SBC Warburg posts SFr829m for year

By Nicholas Denton in London and Hugh Carnegy

Swiss Bank Corporation said yesterday pre-tax profits for 1995 of SFr829m (\$691.2m) from investment banking showed it had overcome initial difficulties in integrating S. G. Warburg, the UK investment bank it acquired last year.

Mr Marcel Ospel, chief executive of SBC Warburg, the merged investment banking division, said the integration of S. G. Warburg's corporate finance department had been difficult and revenues "initially

fixed-income businesses had made a "quantum jump" and the overall result corresponded to SBC's ambitious expectations for the merger.

SBC Warburg's pre-tax profits, which included nine months of contribution from the UK merchant bank, were a large improvement on the results for 1994, when the two institutions barely broke even. A falling bond market and

rising costs resulted in a £16.9m (\$25.28m) loss for S. G. Warburg's investment banking business in the year to March 31 1995; SBC's investment banking division earned

ievels of 1993, in which the UK investment banking business made £205m before tax and SBC's own division made a large, but undisclosed, profit.

The results put SBC War-

burg in the top rank of European investment banks but substantially behind the largest US investment banks such as Goldman Sachs. Mr Ospel said the integration

of Warburg had been swifter than anticipated. It was subof December and SBC Warburg

pre-tax profit of SFr59m said it expected to gain US reg-in 1994 said it expected to gain US reg-ulatory approval for the inte-gration of Warburg's New York SBC's home city of Basle. But it was announced yester-

The merger resulted in the loss of about 1,000 of the two units' combined staff of 11,000 through redundancies and defections, and cost savings which at SFr250m were, SBC said, "considerably beyond the original expecta-

Disruption in corporate finance resulted in the departure of several UK clients. including Halifax Building

SBC Warburg also failed to play a role in the merger of

ceuticals companies based in

day that SBC Warburg would advise on the disposal of hustnesses being spun off from the merged group. It also emerged that SBC

Warburg acted as advisers to Mr Gad Rausing and his family in their recent move to take full control of Tetra Laval, the privately-held Swedish processing and packaging group. In the deal, Mr Rausing and his three children bought out the half share in the group held by his brother Hans and Hans' family.



Marcel Ospel: overall result met ambitious expectations

with Telecom Italia By Andrew Jack in Paris

Olivetti, the Italian computer group, is to step up its chal-lenge to the dominance of Telecom Italia, the state-controlled telecoms company, by launching a competing long-distance phone service in June.

The announcement is the latest in a series of initiatives aimed at broadening the basis of Olivetti's husiness away from the ailing personal computer operations.

The new service, called Sinfonia, is part of Infostrada, Olivetti's telecoms joint venture with Bell Atlantic of the US, which France Télécom also

plans to join. Olivetti said that Sinfonia would offer Italian businesses an alternative, cheaper means of calling between the main Italian cities, by using Infostrada's communications "nodes" across the country and lines

leased from Telecom Italia. Sinfonia Is headed by Mr Arturo Artom, the young manager who last year successfully challenged Telecom Italia's attempts to prevent his company, Telsystem, from constructing a similar "virtual" telephone network to link the offices of corporate clients.

in spite of its victory in the courts, Telsystem was unable to overcome this initial handicap and was wound up two weeks ago. But Mr Artom said vesterday that its regulatory

Telecom Italia in the long-distance market in Italy. Voice telephony using the public network is one of the reserved for national monopolies, but Mr Artom will take

advantage of EU regulations, now implemented in Italy. which be says permit competing services using privately owned communications nodes. Olivetti is also the main shareholder in Omnitel Pronto Italia, the mobile phone operator, which is challenging the dominance of Telecom Italia Mobile, Telecom Italia's sister company. TIM confirmed yesterday that by this morning, Omnitel's 100,000 clients would

work to cover gaps in Omni-tel's coverage of the country. The two companies bave been fighting a fierce battle over whether Omnitel has the right to "roam" on the TIM network, under agreements signed last year by the two

be able to use its national net-

companies. Despite recent broadly posi tive announcements by Olivetti - including, on Tuesday the appointment as deputy chairman of Mr Giorgio Garuzzo, former chief operating officer of Fiat - Olivetti's share price has continued to suffer. It slipped again yesterday to a new low of L770.3. down L27. investors are still deeply concerned about the Italian group's exposure to the per--success would lay the ground - sonat computer sector.

Olivetti to compete SocGen slips a 'commendable' 1%

Société Générale, the French banking group, yesterday announced net income for 1995 down 1 per cent at FFr3.8bn (\$750m), while relaunching its attack on the state-backed rescue plan for its rival Crédit Lyonnais.

called the FFr135bn rescue package brokered last year by the French state with Crédit Lyonnais "scandalous", and stressed his determination to continue a legal action in the European court of justice to

Separately, Credit Lyonnais could exceed FFr50hn, without confirmed yesterday that it any adequate counterparty

GPA, the Irisb-based aircraft

leasing company, yesterday completed the sale of \$4.05bn

worth of bonds as part of a

important securitisation refi-

nancing, in what bankers

described as the second-largest

non-government US bond Issue

underwritten by a syndicate led by Morgan Stanley, the US

bank, will allow GPA to repay

in cash \$2.9bn worth of bank

and other secured debt, most of

which matures in September

Morgan Stanley structured

The deal, which is fully

ever conducted.

CONGRATULATIONS TO

INDONESIA

By John Murray Brown

in Dublin

had lodged a defensive action with the court in Luxembourg in response, which would give it full access to Société Générale's dossier.

Mr Jean Peyrelevade, Crêdit Lyonnais' chairman, expressed his frustration that his rival had launched the action without notifying him. Société Générale failed to

achieve any significant modifications to the rescue plan before its approval last year by the European Commission in Brussels, when it filed a formal complaint jointly with Banque Nationale de Paris. They argued that the cost of the rescue to the French taxpayer

sale to 150 investors, 60 per

GPA said the success of the offer would "significantly

enhance" its ability to repay

Of the outstanding debt, bankers said GPA paper was yesterday trading above par on

the US market, fuelling specu-

lation that the company might

choose to buy some of the debt

The restructuring required

Since 1993 GPA has engaged

in a long-term refinancing.

which included settling a num-

the backing of more than 100

bank and other creditors.

the remaining \$1.5bn debt.

cent in the US.

to retire it early.

from Crédit Lyonnais. Société Générale reported

growth of L1 per cent in its banking income to FFr39.4bn, while management and operating costs rose 3.8 per cent to FFr29.2bn.

There was a reduction in

provisions of 5.3 per cent to FFr4.8bn, including FFr1.9bn

against property loans, bringing its rate of cover to 56 per cent. It said the fall in the French property market had cost it FFr9bn since 1991. Mr Viénot called the results "honourable and commend-able" in view of the difficult

environment facing the French hanking sector, and given that there had been no sign from the government of any reforms

imately 229 aircraft and related

leases, concludes a spectacular

return to health by GPA,

which came close to collapse in

1991 after a falled public offer-

The initial bond prospectus

The company had originally envisaged that 50 per cent of the debt would be repaid in

cash, the remainder through a

complicated note offering.

However, it confirmed last

was issued on Pebruary 20.

to remove the unfair competi-

tion it faced. Life assurance premiums rose 12 per cent to FFr16.2bn, and there was strong growth in remunerated deposits. American operations performed badly, with a decline in operating income of 56.4 per cent to FFr568m, only partially offset by a 5.3 per cent rise in Europe to FFr749m, and a 61.1 per cent rise in Asia-Pacific to FFr485m. Mr Viénot defended his decision to sell the bank's stake in Navigation Mixte, the company subject to takeover by Paribas, at FFr800 a share, "without enthusiasm", saying it was bet-ter than holding an illiquid

important in terms of earnings than the first half. The purchase will also shift the company's focus away from GPA completes \$4.05bn bond sale

the agreement and handled ber of contingent liabilities, about 85 per cent of the total such as litigation with McDonthrough certificates, issued by nell Douglas, the US aircraft its special purpose vehicle, Airplanes Group. The honds were issued in The sale of the bonds, backed eight different tranche sizes, by the securitisation of approx-

sale of \$4.05bn worth of pass

carrying different coupons, maturitles and floating and fixed rates. In February, the issue was briefly held up by a dispute with one of GPA's creditors.

the Public School Employees Retirement System, Pennsylvania's main state pension fund. As part of a deal, PSERS agreed to sell its \$100m worth second preference shares. in turn, GPA paid a fee in relation to PSERS's \$41m holdnight that it had completed the ing of secured notes.

investment in a company in

Jerónimo Martins ahead

Jerónimo Martins, Portugal's second largest distribution group, yesterday reported a 29.3 per cent increase in net consolidated profit to Ess.1bn (\$52.9m) in 1995 from Ess.2bn in 1994. Growth was driven by 29.9 per cent increase in sales to Es281.7bn. Sales from the group's supermarket and hypermarket chains accounted for 46 per cent of total turnover. Cash-and-carry outlets contributed 21 per cent. Mr Alexandre Soares dos Santos, chairman, said the group

planned to establish Lillywhites, the UK sporting goods company that it bought last December for £28.5m (\$43.9m), as an "international flagship" with outlets in Europe. Asia, Latin America and Africa. Lillywhites, whose sales rose slightly to just under £20m in 1995, would increase its outlets in the UK from three to about 15 by 1999, he said. Peter Wise, Lisbon

Thyssen unit opens with loss

Thyssen unit Thyssen Telekom AG said it made a net loss of DM150.8m (\$101.9m) on consolidated sales of DM23.83m in the period between December 13 1994, when the company was founded, and September 30 1995, the end of its busine Mr Hans-Peter Kohlhammer, deputy chairman, said: "It is too early to talk about earnings of a company which is only starting up." He also said the company was periodically reviewing its decision to lease lines from other providers rather than invest in its own fixed-network infrastructure.

"We are aware that our decision not to build up our own fixed network infrastructure has brought a lot of criticism from investors," Mr Kohlhammer said. "That is why we periodically have to review it to see if it's still the right decision." He still believed the decision was correct. "Look at all the capacity that would be available once the big bang" [telecoms deregulation] takes place in 1998." he said. "I am sure we will be able to lease lines at affordable rates." However, be said a change of view remained a possibility. "We have invested only DM1bn of the DM3bn-DM4bn we have been planning to invest before 2000," he said. "Maybe some of that will go towards infrastructure investment.

Amer Group ends talks with investors

By Our Financial Staff

Amer Group, the Finland-based parent company of Wilson Sporting Goods of the US, said yesterday its K shareholders, who control 90 per cent of the votes, had ended talks aimed at selling their stakes.

"Amer Gronp's board of directors has been informed by the company's K shareholders that the negotiations that they have been conducting with third parties concerning the sale of their K shares have been discontinued," it

The group said its four big-gest K shareholders, "will all continue to be major sharebolders in Amer". These are The Engineering Society of Finland, The Association of Graduates of the Schools of Economics, The Student Union

of the Helsinki School of Economics and Business Administration, and the Land and Water Technology Foundation.

Amer last year suffered a 60 per cent slide in profits, to FM75m (\$16.32m) from FM220m, after its Wilson brand was hit by lower golf equipment sales and its Atomic skis met tough competition. At the time of the results, the K shareholders were in talks with anonymous bidders to sellthe stock,

Mr Raimo Taivalkoski, chief executive, said yesterday the group would pursue plans to sell its loss-making MacGregor golf equipment unit

He said Amer's strategy was unaffected by yesterday's news of the collapsed stake sale talks. "We think our present form is the one we are going to keep living with."

Spin-off for Bremer Vulkan yards

The east German shippards of ailing shipbuilder Bremer Vulkan will be spun off in the next few days, Mr Bernd Seite, prime minister of Mecklenburg-Vorpommern, said yesterday. Mr Seite said he saw no possibility of maintaining the Breme Vulkan group in its current form. He said the spin-offs did not mean co-operation between Vulkan's western and eastern yards would cease.

However, the premier of Lower Saxony, Mr Gerhard Schroeder, said the Vulkan group must stay as large as possible. "We must not allow valuable parts to be broken out of the group and leave the rest to fend for itself," he said. Vulkan filed for protection from creditors last month.



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The company had planned to fund internally the capital expenditure required to access the Ventersdorp Contact Reef which lies below the elevation of the deepest operating level served by the existing shaft system. Appropriations for this purpose have been constrained by the level of operaring profit earned over the past three years and indeed losses incurred in the last quarter, owing to operational difficulties faced on the mine and the prevailing gold price.

Assessment of rechnical planning alternatives for the project is close to finalisation and financial viability analyses are proceeding. In the event of a positive outcome, external funding will be required. Consideration is therefore being given to a rights offer to shareholders. In parallel, the possibility of some form of agreement, between the company and others with interests in the neighbourhood of the mine, is being pursued.

The objective would be to exploit any benefits achievable through joint action in turning to account areas which remain to be mined. Such areas include that beyond the southern boundary of the company's Mining Authorisation over which Gold Fields of Sourb Africa Limited holds

Pending a further announcemeor, caurion should be exercised in any dealing in shares of

Johannesburg



HYPO FOREIGN & COLONIAL PORTFOLIOS FUND

Société d'Investissement à Capital Vanable Registered Office: 47, Boulevard Royal, L-2449 Luxembourg

As the Extraordinary General Meeting of Shareholders held on 27th February, 1996 was not able to deliberate and vote on the items of the agenda as a result of the lack of quorum, Shareholders of Hypo Foreign & Colonial Portfolios Fund [the "Company") are hereby reconvened to an Extraordinary General Meeting of Shareholders to be held at the registered office of the Company in Luxembourg, at 47, Boulevard Royal, L-2449 Luxembourg on 29th March, 1996 at 3.00 p.m. to deliberate and write on the following accorded: I. To change the name of the Company to "Foreign & Colonial Portfolios Fund" and to amend Article 1 of the Articles of

II. To amend Articles 5, 16, 21, 22, 23, 24, 27 and 30 of the Articles of Incorporation.

To amend Articles 5, 16, 21, 22, 23, 24, 27 and 30 of the Articles of Incorporation.
 Shareholders are Informed that the full text of the proposed amendments to the Articles is available at the registered office of the Company in Luxembourg. Any decision at the Shareholders Meeting on the aforesaid items of the agenda must be approved by Shareholders holding a majority of 2/3 of the Shares represented at the Meeting.
 Shareholders of Hypo Foreign & Colonial Portfolios Fund — Nortic Equity Portfolio and Hypo Foreign & Colonial Portfolios Fund — Mediterranean Equity Portfolio are further requested to resolve on a proposal for such two diasses to be merged with effect from 1st April, 1936 into Hypo Foreign & Colonial Portfolios Fund — European Smaller Companies Portfolio).
 Shareholders of Hypo Foreign & Colonial Portfolios Fund — American Equity Portfolio are further requested to resolve on a proposal for such class to be merged with effect from 1st April, 1936 him Hypo Foreign & Colonial Portfolios Fund — American Smaller Companies Portfolio (to be renamed as Foreign & Colonial Portfolios Fund — American Smaller Companies Portfolio (to be renamed as Foreign & Colonial Portfolios Fund — American Smaller Companies Portfolio (to be renamed as Foreign & Colonial Portfolios Fund — American Smaller Companies Portfolio (to be renamed as Foreign & Colonial Portfolios Fund — American Smaller Companies Portfolios Fund — American Smaller Compani

Companies Portfolio).

The vote on such item will be made at separate class meetings for which no quorum is required and a decision in favour of merger has to be approved by Shareholders holding 50% of the Shares represented at the meeting (provided the changes to the Articles under II above have been previously approved by the full shareholders Meeting). The text of the investment policy of the (renamed) Foreign & Colonial Portfolios Fund – European Smaller Companies Portfolio and Foreign & Colonial Portfolios Fund – American Smaller Companies Portfolio are available at the registered office of the Company together with a description of the ditherences between the classes to be merged and the new classes. Shareholders in the Portfolios to be a description of the differences between the classes to be merged and the new classes. Shareholders in the Portfolios to be merged are reminded that they may redoem their Shares at any time free of charge. In order to be able to participate at the Shareholders Meeting, holders of Bearer Shares have to deposit their Shares et least 3 clear days before the date of the Meeting at State Street Bank (Luxembourg) S.A., 47, Boulevard Royal, L-2449 Luxembourg. Proxy forms may be obtained at the same address.

To the Holders of Restructured Obligations Backed by Senior Assets, B.V.

Pursuant to the Indenture dated May 1, 1990, as amended and recreted es of June 15, 1990. between the Issuer end State Street Bank and Trust Company Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period March 11, 1996 through June 9, 1996, the rates applicable to the Secured Senior end Secured Senior end Secured Senior Subordinated Floating Rate Notes are 5,00078% and 6,05078% respectively.

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INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Write-down pushes Bombardier into red

Bombardier, the Canadian transport equipment maker, wiped out its fourth-quarter earnings with a C\$231.4m (US\$169m) pre-tax write-down of its stake in Eurotunnel, operator of the Channel tunnel. Bombardier is among Eurotunnel's biggest single shareholders, with e stake of about 3 per cent. It acquired most of the shares to settle a dispute over changes in the design of Eurotunnel shuttle cars built by one of its European subsidiaries.

The write-down pushed Bombardier into a fourth-quarter loss of C\$50.2m, or 15 cents a share, in the three months to January 31, from a profit of C\$77.1m, or 21 cents, a year earlier. Earnings before the write-down, which amounted to C\$155m after tax, were C\$104.8m, or 29 cents. Revenues climbed from C\$2.3bn to C\$2.7bn. Earnings for the fiscal year excluding the write-down, rose 28 per cent to C\$308.8m, or 89 cents. Revenues were up 20 per cent to CS7.1bn. Bombardier said all its divisions, which include aerospace, rail equipment and motorised snow and water vehicles, contributed to the earnings improvement

Bombardier now values its Eurotunnel shares at C\$50m, or the prevailing market value of FFr6.2 each on January 31. Mr Laurent Beaudoin, chief executive, said the balance sheet remained "very strong" and that profits were likely to

Toys R Us suffers setback

Fourth-quarter and annual earnings fell at Toys R Us, even before a \$269m restructuring charge, as the international toy retailer encountered difficult trading conditions in most of its markets. In the final quarter, including the Christmas period, net earnings fell 11 per cent to \$362m, before the one-time charge, and earnings per share dropped from \$1.46 to \$1.32, or to 34 cents after the restructuring costs.

In spite of an extra week's trading in the 1995 fiscal year ending February 3, net earnings fell 22 per cent from \$532m to \$417m, even before the charge. Earnings per share for the year were down from \$1.85 to \$1.51 before the charge, and to 53 cents afterwards. Sales rose 8 per cent to \$9.43bn, largely because of new store openings.

Maggie Urry, New York

CANTV stages turnround

CANTV, the Venezuelan telephone company, yesterday announced a net profit of 14.1bn bolivars (\$31.8m) for 1995, compared with a loss of 7.5bn bolivars for 1994. The results were adjusted for inflation. CANTV was partially privatised in 1991 when a consortium led by GTE, the US local phone group, bought a 40 per cent stake in the company. It gave no explanation for the turnround in results.

Sales rose from 182.4bn bolivars to 348.4bn bolivars in 1995. The Venezuelan government bas said it plans to sell off its remaining 49 per cent stake in CANTV before the end of the year. CANTV employees bold 11 per cent of the company's

Travelers details listing plan

Travelers, the US financial services group, unveiled plans for a separate stock market listing for its property/casualty insurance businesses in a public offering that could raise almost \$1bn. The plan, first disclosed last year, is part of the financing for Travelers' \$4bn acquisition of Aetna's property/ casualty business. In a filing with the Securities and Excha Commission, Travelers said it expected to sell about 10 per cent of the company, known as Travelers/Aetna Property Casualty Group, leaving it with 82 per cent. The public sale will have a maximum indicated offering price of \$25 a share,

Thomson climbs 9.8% but warns on UK travel side

By Bernard Simon

Thomson Corporation, the Toronto-based publishing and travel group, coupled a 9.8 per cent advance in 1995 earnings with a warning that the UK packaged tonr industry urgently needs to cut capacity margins are to be

The improved earnings came entirely from Thomson's exten-sive specialist publishing and

newspaper interests.

Operating profit at the UK travel operations dipped 27 per cent, despite a 7 per cent rise in sales and significant expansion in the UK holiday cottage market.

"1996 could mark a watershed for the air-inclusive tour market," Thomson said.

"The industry can either offer fewer holidays at realistic margins or, as in 1995, continue with increasing discounts on late sales, which give customers little reason to book early."

Tour bookings for summer

1996 are currently running below last year. Most operators have reduced capacity by at least 10 per cent, and brochure prices bave risen by a similar amount

However, Thomson cautioned that further capacity cuts may be needed to avert a wave of last-minute

discounting. Overall earnings, excluding gains from the sale of UK regional newspapers, climbed to US\$469m, or 80 cents a share, last year, from \$427m, or

One-time gains from the UK disposals pushed net earnings to \$789m, or \$1.34 a share, in 1995. Revenues rose 12 per cent Fourth-quarter earnings,

74 cents, in 1994.

excluding the one-time gains, advanced to \$177m, or 80 cents, from \$123m, or 22 cents. Annual operating profits from the North American-

based information and publishing division jumped 30 per cent to \$633m, partly helped by several sizeable acquisitions. Thomson said international

part" in future growth. The company spent \$397m on 60 acquisitions last year mainly in specialised publish ing. It recently agreed to buy West Publishing, a large Min-nesota-based legal research and information group, for \$3.43bn cash.

The newspaper division, consisting mainly of small North American papers, is emerging from a restructuring which has shifted its focus to specific regional markets. Operating earnings grew 11 per cent

A jump in newsprint costs was mostly offset by a higher contribution from Thomson's 50 per cent stake in a large

Georgia newsprint mill.
Thomson said that the newspaper division's highest priority was to lift circulation, taking advantage of the newly-created regional market-

Thomson shares were little changed in early trading on the Toronto stock exchange,

DFR vetoes Inco move for bigger Voisey's Bay stake

By Kenneth Gooding, Mining Correspondent

A proposed C\$1.3bn (US\$951.7m) deal for Inco of Canada, the world's biggest nickel marketing group, to double its 25 per cent stake in the Voisey's Bay deposit, which is likely to be developed into the world's largest and lowest-cost nickel mine, has been vetoed by Diamond Fields Resources, the company that

discovered Voisey's.

Mr Robert Friedland,
co-chairman of DFR, said yesterday that the proposed
arrangement would not have taken into account the future potential of Voisey's, in Labrador, where he was convinced further substantial discoveries would be made.

DFR is planning to merge with Falconbridge, Canada's

suggested that the "new" Falconbridge's share price would jump more sbarply when new discoveries were made at Voisey's if it retained 75 per cent of the venture.

He suggested that Inco had only to April 11, when the merger would be completed, to decide whether it should intervene with a bid for his company. It was unlikely that Noranda, Canada's biggest natural resources group that would have 28 per cent of the new Falconbridge, would want to sell to Inco. It was even less likely that North American antitrust authorities would permit a merger of Inco and the new Falconbridge, said Mr Friedland.

Mr Frank Pickard, Falconbridge chairman, said his board felt obliged to consider the Inco proposals, which second-largest nickel producer. would also have given his com-Mr Friedland, in London for presentations to investors, cent of Voisey's output to take the concentrate.

exclusive rights for the first five years. The deal would also have given Falconbridge the right to provide the chairman. with a casting vote, on the Volsey's operating board. But Inco's proposals had never gone to his board for approval.

He said Noranda, which at present owns 50 per cent of Falconbridge, intended to build its shareholding in the merged than 40 per cent - where results could be consolidated. Noranda had five years to achieve this. Mr Pickard said if the

merger went ahead, Voisey's would be put on the "fast track" so that first production would be in mid-1999. The smelter and refinery might not be ready when mining started but Falconbridge had spare capacity at Sudbury, Ontario. and "companies are lining up

US chip makers seek to dispel the gloom

Excess production capacity has sparked fears of an industry downturn, says Louise Kehoe

semiconductor longed downturns with an orders fell in February for the second consecutive month, raising concerns that after several years of unprecedented growth, the chip industry may be heading for a slump. The figures, released this week by the US Semiconductor Industry Association, follow bearish projections and disappointing results

from some US chip makers. Texas Instruments, one of the largest US semiconductor manufacturers, said last week it had lowered its estimate for 1996 industry sales growth to about 20 per cent, from 40 per cent growth last year.

National Semiconductor reported a 60 per cent drop in net income for the fiscal third quarter ended February 23. blaming slowing sales to the personal computer and mobile phone industries.

Moreover, the industry's closely-watched book-to-bill ratio - a measure of new orders versus shipments – fell to 0.90 for February, the lowest since the current method of measurement was adopted in 1987. This follows e sharp drop from 1.12 in December to a revised 0.92 in January. So is the \$100bn world chip

industry is about to repeat the boom and bust" cycles of the 1970s and 1980s, when periods of rapid growth and chip shortages were followed by pro-

excess of production capacity?
With more than 100 new chip plants scheduled to begin pro-

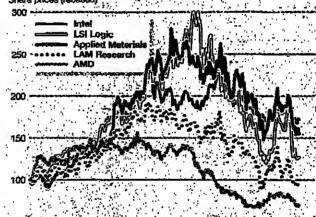
duction in 1997-98, the potential for excess is a concern. "I war," said Mr Dan Hutcheson, president of VLSI Research, a market research group.

Yet most US semiconductor industry executives and many analysts believe that the current decline is not a classic turn in the market. They expect growth to resume quickly - perhaps as soon as the second half of this year. The broad figures mask spe-

cific problems in certain segments of the chip market, analysts say. Memory chips, which account for more than a third of industry revenues, have seen a sharp drop in prices: four megabit dynamic random access memory (D-Ram) chips that sold for \$14 in November are now going for about \$7. According to analysts, such a fall explains the drop in the

book-to-bill ratio. The price cuts reflect the end of a two-year shortage of D-Rams that has kept prices high. Production has increased because several large manufacturers have recently adopted new technology to shrink D-Ram chips, which means

Share prices (rebesed)



thet more chips can be for e semiconductor industry produced from each wafer of

At the same time, demand from the personal computer industry, the biggest consumer of memory chips, has fallen off - largely due to lower than expected retail sales of PCs over Christmas. The PC com-panies, left with excess stocks of unused chips, are delaying purchases and in some cases

selling off surplus components, adding to the glut.

To veteran industry watchers, this looks like a scenario downturn. However, the scale of the current glut is much smaller than in 1984-85, when the US semiconductor industry last nosedived. "In 1984 computer makers

had six months worth of [chip] inventory in hand. Today, there is about three weeks of excess," said Mr Hutcheson. This industry is not in the

tank," said Mr Art Zafiropoulo. chairman and chief executive of Ultratech Stepper, the leading supplier of photolithography equipment to the semicon-

How they compare ductor industry. "We may see one or two quarters of fluctuation, but the size of this industry is going to more than double over the next five years. We are at the beginning of a dynamic and powerful technol-

ogy cycle."
Growth will be driven by new applications such as voice recognition as well as rapid growth in demand for electronics products in developing markets such as China and India. industry analysts predict. Moreover, the drop in mem-

ory chip prices is expected to filter through to PC prices. which could quickly boost home computer sales and thus demand for a wide variety of semiconductor products. "It is a different business

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than it was a decade ago. Semiconductors are so pervasive now - they are in everything. You are not going to see the huge swings of the past," said Mr. Tom Reed, senior vice-president of the SEMI trade group, which represents production equipment manufacturers. Taiwan Semiconductor Manufacturers. ufacturing (TSMC), Taiwan's leading computer chip maker. plans to set up a US\$1,2bn plant in Washington state to produce semiconductors. writes Laura Tyson in Taipei. The joint venture with Altera Corp, a US computer company, and other TSMC customers. will begin production in 1998.

The Survey on Slovenia

which was scheduled for publication in today's **Financial Times** will now be published on Tuesday, March 26.

BAYER AKTIENGESELLSCHAFT The Annual General Meeting of Bayer Aktiengeselischaft will be held on 25th April, 199e in Cologna. Payment of Dividend of 30% for the year 1995 will be Copies of the Company's copies of the Company's copies of the Company's

United Kingdom Sharsholders who wish to stitend and vote at the Annual General Meeting should by 17th April, 1996, inform S.G.Warfung & Co. Ltd., Paying Agency, 2 Finebury Avenue, London ECZM 2PP who will make the necessary errangements on their behelf.

Under Section 126 of the Serman Companies Act, the Board of Management is only obliged to arouse information on proposals and normations that may be made by shareholders if the parties concerned prove their standing as thareholders in good time. BAYER AKTIENGESELLCHAFT

March, 1996

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FINANCIAL TIMES THURSDAY MARCH 14 1996. *

INTERNATIONAL COMPANIES AND FINANCE TVE rejects HK\$1.15bn SCMP bid

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L Couise Kehe

TVE, the Hong Kong media and property group, yesterday rejected a HK\$1.15bn (US\$149m) bid from Sonth China Morning Post Holdings, dismissions the logic and price dismissing the logic and price of the offer.

SCMP, which publishes Hong Kong's leading English language daily newspaper, said it had no immediate plans to raise the price of the offer and was awaiting a shareholders' meeting, scheduled for tomor-row, before taking further

Mr Robert Kuok, chairman of SCMP, already controls 34.9 per cent of TVE, largely through his Kerry Media group. Bot Shaw Brothers, that SCMP's share price, which seek value based on Monday's closing that there are few real synergies between these businesses," it said. It claimed that SCMP's share price, which

By John Ridding in Hong Kong which holds 30.3 per ceot of TVE, said yesterday it did not intend to accept the offer. According to TVE, investors representing 39.5 per cent of its shares are opposed to the bid.

TVE said yesterday that SCMP'e offer, which was launched last month and comprises a two-for-one share swap, was "not fair and reasonable". The company, which publishes mainly Chineselanguage books and magazines, operates a mini-store chain and manages recreational clubs, said the value of the bid represented a 20 per cent discount to its pro-forma net asset value

climbed to a high of HK\$5.55 on February 9, the last full trading day before the offer was launched, would not be

SCMP is seeking to extend its interests into Chineselanguage publications. TVE holds titles ranging from TV Week, a listings guide, to Amoeba, a youth magazine. Mr Kuok is also thought to have been drawn by TVE's property assets. According to TVE, these assets have been inde-pendently valued at

TVE rejected the logic of the

publishing was with the Wah Kin Yat Po newspaper, in which it sold a majority inter-est in 1994 following losses.

TVE edded that the offer could jeopardise its business links with Television Broadcasts, the Hong Kong TV

Industry analysis in Hong Rong said it was still possible SCMP's bid would succeed, despite the rejection by Shaw Brothers. "They already have about 35 per cent locked up with Mr Kook, so it is conceiv-able that they could get control," said one media analyst at a local securities company. However, he said it was more likely that SCMP would have

Thai 'bat' finds way in the market

The country's third biggest bank has in-built advantages despite its bureaucratic profile, report Ted Bardacke and Peter Montagnon

Sometimes, says Mr Sirin Nimmanahaeminda, pres-ident of Thailand's Krung degree to which its high inter-est margins and profit growth simply reflect the recovery of Thai Bank, 'I feel like a bat. I can fly, but I look like a rat.". The imagery is vivid indeed, and it is Mr Sirin's way of

explaining Krung Thai's peculiar position. Thailand's third largest bank, it is 60 per cent owned by the state, giving it an ugly bureaucratic tradition which is a disadvantage in a sector that is deregulating fast. Yet it recently announced a 25 per cent net increase in net profits to Bt10.2bn (\$404.3m) for 1995, a faster rate of growth than leading private competitors such as Bangkok Bank and Thai Farmers Bank, proving that this rat can indeed keep up with the birds.
This unusual position puts

Krung Thai at the cutting edge in developing a strategic response to the changes facing Thailand's banking industry. With new licences being issued to both domestic and foreign banks, the rapid growth of finance companies and a trend towards securitisation, the banking market is becoming. crowded and competitive.

At the same time, many analysts say, Krong That faces a gradual erosion of its priviment as Thailand's market is deregulated. Government deposits account for more than half of the bank's total Bt500bn in deposits, and Mr Sirin acknowledges that the bank is not ready for the interest margin squeeze that would result from a wholesale loss of its exclusive right to government Open competition for govern-

ment deposits between Krung That and other commercial banks "would be pure disaster," Mr. Sirin says. "It will have to be very gradoal. Otherwise I'm going to put the entire bank on the chairman's lap and say bye-bye. Who is going to raise this Bt280bn for you?" But while he is around, Mr Sirin's job is to confound the

sceptics.
One of the unanswered questions about Krung Thai, says Mr Scott Christensen, an analyst with Jardine Fleming Thanakom Securities, is the previously unpaid interest brought about by Mr Sirin, a former executive with Thai-

land's state-owned Petroleum

Authority, as he set about

cleaning up the bank's loan

book over the past five years. Mr Sirin says there are more benefits of recovery to come than many in the market think. There remains about Bt3.2bn in income that has not been accrued from bad debts. he says. Moreover the bank's large hidden reserves - its investments are carried in the books at Bt4.3bn while their market value is Bt26.8bn - create an opportunity for smoothing profits and raising working capital even if interest income

A large part of his strategy since taking over responsibility for the bank has been to improve the quality of its loan portfolio, he says. Thanks in part to an active programme of lending to top-rated family businesses in the Thai provinces, it is less exposed to Bangkok property than other banks. The share of sub-stan-dard loans in its Baht 510hn loan portfolio has fallen to only when he took over.

This year Krung Thai's priority will continue to be recovery. Branch managers have been told that in their personal performance assessments a 40 per cent weighting will be given to bad debt recoveries, twice as much as to their success in extending new loans or generating new deposits.

Part of the reason is cycli-cal, Mr Sirin says. He believes that Thailand has not yet found the right way to an economic soft land ing with a manageable inflation rate and balance of payments deficit. It is, therefore, becoming harder to find sound new lending opportunities.

. But assuming his managers are euccessful in recovering bad debts profits growth should remain strong. If restraint in lending means the quality of its loan portfolio improves as well, investors COMPANY PROFILE Krung Thai Bank



Current share price	Bt110.0
Earnings per share	Bt5.84
Gross yield	2.56%
Historic P/E	19.32
Main listing	Bangkok
Market capitalisation	\$6.47bn

Net profits

might conclude that Krung Thai stands ready to out-perform. But if Mr Sirin's cure will work for a while yet, he is less sanguine about the longer term strategic issue. Many of Krung Thai's com- he says.

petitors are putting their faith in fee income to carry them through But Krung Thai's fee income is low - partly because it must waive some fees for government employees - and it did not even apply for a debt underwriting licence, placing it says Baring Securities. Mr Strin says he will leave

the investment banking up to Krung Thai Thanakit, a finance company 82 per cent owned by the bank and which is heavily involved in the securities market. Instead, the bank will focus on quality. "We will have to be really

top class in training our peo-ple, and top class in information technology. That will be the battleground," he says. Ironically, Krung That'a government connections might

even help, he argues. Privileged access to government deposits will not disappear overnight and in the meantime he is looking to design com-puter software systems that in effect lock government agencles in with Krung Thai's network. Krung Thai'a role in processing government paychecks and social security payments gives it information about the retail banking market and

credit ratings of individuals that other retail banks and consumer credit organisations, like Citibank and GE Capital, do not enjoy. "These are things that I don't want to let loose,"

dmittedly, it is not all A one way. The large government stake makes raising extra capital dif-ficult. Based on present fore-casts, Krung Thai should man-age to keep above international capital requirements until 1998, though this will entail restraining dividend growth to make for more retained profits, Mr Sirin says. Also, with majority govern-

ment ownership Krung Thai cannot easily buy another bank. Otherwise, admits Mr Sirin, that would be a natural response to the onset of compe tition. With its 485 branches determination to cut costs and investment of about Btl.3bn annually in information technology, there could be enormous efficiency gains from an acquisition.

Still, Mr Sirin believes the bank's government connections, rather than any farsighted commercial strategy, may just give it an edge in the looming battle. Sceptics will jump on this long-term ques tion mark and note that bats, with which he compares himself, are blind. On the other hand they have other ways of

Coles Myer posts sharp fall

By Nikki Talt in Sydney

Shares in Coles Myer, Australia's largest retailer, slid yasterday, after the group announced sharply reduced interim profits of A\$194.5m (US\$150m) after tax for the six months to January 28. A year ago, Coles made A\$272.9m. Even before interest and tax,

profits slumped 21.3 per cent to . A\$359.4m, although sales revenues overall rose 8.5 per cent to A\$9.44bn. Earnings per share fell 19.2 per cent to 17.2 cents, but the interim dividend was held at 12 cents a share. The result surprised analysts who although expecting a

profit fall, had forecest upwards of A\$220m after tax. There was immediate talk of full-year estimates being down-Telstra ahead 16% to A\$1.2bn

graded, and the shares closed 10 cents lower at A\$4.28. Mr Peter Bartels, chief exec-

utive, hlamed the poor results on a downturn in the apparel market, coupled with "lacklus-tre" Christmas trading for general merchandise. He also said asset sales had reduced the pre-interest earnings figure by around A\$51m.

The most encouraging performances were in the supermarkets and liquor divisions. which account for about half of Coles sales. The supermarkets unit pushed up pre-interest earnings by 16.7 per cent to A\$128.7m, while sales rose 11.1 per cent on a comparable store basis. Liquorland saw sales increase by a fifth and pre-interest profits rise from A\$13.8m

Elsewhere; results were generally lower. The Kmart general merchandise chain saw earnings slump from A\$93.2m to A\$50.6m before interest charges. -Mr Bartels admitted that the

group might consider exiting from the World 4 Kids business, where last year's interim loss of A\$14.7m widened to launched to compete with Toys R Us, the US-based retailer. He said sales since the end of the half-year had been strong, and that the group had added market share. There was, he said, "a sound base for improved profitability over the next 12 months". But he also warned that Coles would not recover the first-half downturn

Management shake-up at Ansett

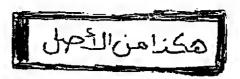
A big management shake-up is to be implemented at Ansett Airlines, the Australian carrier which is owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the transportation group.
Mr Graeme McMahon, the

chief executive, who is in his mid-50s, is to retire, while Mr Ron Entsch, general operations manager, and Mr Gary Smith, general commercial manager are also departing. Mr Ken Cowley, who heads

News's operations in Australia,

said he would remain executive chairman, overseeing strategic development of the airline". The new chief operating officer is Mr Hugh Thorburn, who has been involved in the setting up of Ansett's inter-national operations in the past couple of years. Mr Rick Ellis will become general manager of sales and marketing. Another eight senior appointments were also announced.

The timing of the changes is surprising. Ansett bas produced very weak financial results recently, and its ownership structure is also in question. TNT is seeking to sell its half-share to Air New Zealand, and the matter is before the Commerce Commission in Wellington, the country's competition watchdog. If Air New Zealand is successful, it would also probably seek some say in



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USYOUR APERCLIP

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By Nikki Tait Telstra, Australia's large government-owned telecommu-

nications group which the new federal coalition government has promised to partly-privatise, yesterday announced an after-tax profit of A\$1.2bn (US\$930m) for the half-year to The figure compares with

A\$1.03bn a year ago, a rise of 16.6 per cent. However, the 1994-95 total was reduced by a A\$220m abnormal charge. Operating profits before abnormals rose more modestly, from

said that total revenues were up 9 per cent, at A\$7.64bn, with the telecoms side growing slightly faster, at 9.7 per cent. Expansion of the mobile market accounted for more than half the total revenue increase. The sales figure also bene-

fited from higher local call revenues and increased use of the Telstra network by other carriers, which pushed up interconnect revenues. But STD call

revenues fell as prices came down and international revenues were also lower.

A\$1.75bn to A\$1.85bn. Telstra abnormals) grew slightly faster, up 10 per cent overall to A\$5.78bn. Telstra blamed various factors, including higher depreciation charges and rising Mr Frank Blount, chief exec-

utive, said the group still had "a considerable task ahead to improve profitability measures in line with the most efficient telecommunications companies The new government has

pledged to sell off a third of Telstra to stock market investors during the current three-Meanwhile, expenses (before year parliamentary term.

LEX COMMENT

Schroders

Schroders is launching its

efficiency reviaw not a

moment too soon. Costs shot up 21 per cent last year. Given that operating incoma grew only 14 per cent, it is hardly surprising profits were flat. There would,

indeed, have been a decline in profits but for the release

of bad debt provisions made

in previous years. Moreover,

profitability is out as great

as tha reported 25 per cent return on aquity suggests. Once the highly profitable

fund management business

is stripped out, returns in

the investment benking divi-

sion are only 14 per cent. That is still above its cost

but not by moch.

If all this sounds a touch like Warburg before spiralling

costs forced it into SBC's arms, at least Schröders is aware of the dangers. The market for investment bankers is so competi-tive that it cannot avoid upward drift in staff costs. Equally, its move into UK equities looks necessary to protect its domes-

tic corporate finance business. But the expansion looks fairly

Provided Schroders' efficiency review slows down the cost explosion, profits should now pick up. The surest prospects are in investment management where, because of lags, last

year's impressive 28 per cent growth in funds has yet to feed through fully in the form of higher fees. Given that the Schroder family shows no inclination to sell

its controlling stake in the company bid speculation has evaporated and the shares no longer look expensive. Still, anybody thinking of investing should pick the much cheaper non-voting shares, which trade on only about 12 times earn-

prio mos

Destocking hits English China Clays

Setback in second half after buoyant first six months

Reed Elsevier has \$5bn for acquisitions

By Raymond Snoddy

Reed Elsevier, the Anglo-Dutch publishing and information group, said yesterday it was keeping a close eye on a "wish list" of possible acquisition targets and that it had about \$5bn available this year to spend on the right opportunity.

The likely target areas are US professional and businessto-business publishing

Last year the group was absorbing the £1.1bn purchase in December 1994 of the Lexis-Nexis database and spent only

Mr lan Irvine, co-chairman of Reed Elsevier with Mr Herman Bruggink, said the company would etick to its policy of assembling dominant market positions in the higher-value-added scientific, professional and business information markets and reducing exposure to The signal that Reed Elsev-

ier will return to the acquisition trail came as the company announced a 19 per cent increase in 1995 pre-tax profits to £723m. on turnover up 20 per cent to £3.65hn.

The results were boosted by "an outstanding contribution" from Lexis-Nexis in its first full year. Following the integration

of Congressional Information Service and Butterworths US, the legal publisher, into Lexis-Nexis, the business increased operating profit by almost 50 per cent on sales up 10 per

"Reed Elsevier has become almost boring, reliable in turning ont profits and beating forecasts by a small margin," Mr Neil Blackley, media analyst at stockbroker Goldman Sachs, said yesterday. Pre-tax profits for the current year could touch £800m, he said.

Earnings per share rose 21 per cent to 51.7p for Reed Inter-national shareholders and 11 per cent to Dfl 1.00 for Elsevier shareholders. Full year divi-dends were up 14 per cent to 24.5p for Reed and 8 per cent to Dfl 0.59 for Elsevier. The differences are largely accounted for by the stronger Dutch guilder. One thing that did not go

according to plan was the pro-posed sale of Reed Consumer Books. The division was withdrawn from sale earlier this year when no bidder came for-ward with a price acceptable to the company. The group now plans to strengthen the man-agement of Reed Books and to try to increase profits and sell



and reduced revenues from Dennis Rediker: 'We are focused on chemicals and minerals, so I do not foresee any big disposals'

ECCI Europe, the group's speciality mineral pigments business, was hit by destocking in the second half. A 6 per cent rise in first-half volumes decline in the second half.

Similarly, ECCI AmPac, the group's operations in the Americas and the Pacific, suf-

fered from second-half customer destocking. Operating profits rose 5.2 per cent to \$55m (£34.8m) - compared with 33 per cent rise in the first half. Profits in the division were also restrained by a \$5.2m exceptional charge for redundancies and rationalisation. Operating profits in the spe-

ciality chemicals division rose from \$13.7m to \$16.3m, although the 1994 results included a \$7.3m exceptional charge. The 12 per cent sales increase to \$270.4m was almost entirely attributable to the 1994 year-end acquisition of EZE Products, a US-based chemicals

shape to move forward. "I think we are focused on speci-ality chemicals and minerals, was nffset hy an equivalent so I do not foresee any more major disposals," said Mr Redi-

Heywood Williams rises despite pressure on margins

per cent pre-tax increase on record sales.

English China Clays, the

minerals and chemicals group, has joined tha growing list of companies hit by destocking in the second half, wheo it

reported pre-tax profits up 2.3 per cent to £95.1m (\$145.5m).

The group, which raised its interim dividend for the first

time since 1992 after enjoying a

buoyant first half, also

increased the final dividend to

11.2p (10.9p), making a total for

group's continuing operations rose 16 per cent to £100.7m. This excluded sharply

decreased profits from ECC

Constructioo, the group's

house building business, from

Sales fell 15 per ceot to

£385.9m (£1.04hn), largely reflecting the lack of contribu-tions from the group's con-struction materials division,

demerged as Camas in 1994.

Mr Dennis Rediker, announc ing his first results as chief executive, said once the con-

struction business was closed,

the company would be in

which it is withdrawing.

ECC Construction.

the year of 16.7p (16.25p). Operating profits in the

£38.7m (\$59m) on sales of £562.5m (£519.6m). But

further growth.

the US, mainly in manufactured housing and recreational vehicles. US operating profits fell from £21.1m to £17.6m after both aluminium and resin prices rose by about 50 per cent in the first half. Aluminium is used for window frames, and

A good performance from the automotive windscreen business was offset by the continuing weak home improvement market. Maccess, the independent UK wholesaler of motor accessories

Continental European operating profits

Schroders initiates review of efficiency

By Nicholas Denton

Schroders aonounced a business efficiency review yesterday, after its annual results revealed flat profits and a sharp escalation in the costs of computers and staff,

The UK investment bank said it would limit the increase in its staff numbers to about 200 this year, com-pared with 400 added in 1995. in ongoing businesses.

Consultants, which Schroders did not name, will exam-ine the bank's information technology spending, which rose more rapidly last year than io the industry as a

Schroders, is seeking to head off the costs which under-mined SG Warburg's indepen-dence and forced it to seek a buyer in Swiss Bank Corpora-

tion last year. While pre-tax profits for 1995 were slightly up at £197m. (\$301.41) expenses rose cost-income ratio of 76 per cent, up from 68 per cent, was undesirably high, Schroders

executives conceded. "Perhaps we have not devoted as much attention to costs as we might have," said Mr Win Bischoff, chairman. Staff costs rose, with the expansion of the European equities business and investment management in east

Asia. The bank also experienced the impact of the first full year of ownership of Schroders Wertheim, the US subsidiary. Although the effect was small, Schroders said it was

paying a larger amount of top 30 people in a competitive City jobs market.
At the same time, the clo-

sure of much of the fixed-income husiness in New York and the equities trading operation in Tokyo resulted in redundancy payments. But the main additional cost

appears to have been on systems for back office opera tioo and the processing of transactions by Schroders Investment Management

Bata buy moves Facia into Europe

Mr Stephen Hinchliffe, the acquisitive entrepreneur who is rapidly building up one of the UK's largest private retail businesses, yesterday took his first steps into continental Europe with the purchase of a chain of Bata shoe shops in

Germany.

As with virtually all of the 13 acquisitions announced over the last 18 months, Facia, Mr Hinchliffe's company, refused to disclose the purchase price. However, Mr Gary O'Brien, Facia's chief operating officer, said the group in general preferred to pay a discount to net assets for acquisitions. The net assets of Bata Shue are expected to exceed DM27m on completion of the deal. Facia is buying 110 stores with sales of more than DM110m.

JIB in red after exceptionals.

Exceptional charges forced JIB, the insurance broker which is 61 per cent owned by Jardine Matheson, into the red in 1995 with pre-tax losses of £49.6m against profits of £24.4m.

Mr John Barton, chief executive, said charges of £78.1m arose from refocusing the group on reinsurance and affinity insurance, for groups such as the British Medical Association

Mr Barton said the fall in profits from continuing businesses reflected intensive competition in the London reinsurance market. Over the last five years the company had lost about half of its clients due to closure or bankruptcy. Overseas, however, Mr Barton said the reinsurance market promised substantial growth.

Keswick promotes Kvaerner

Mr Simon Keswick, chairman of Trafalgar House, yesterday urged investors in the lossmaking construction, engineering and shipping group to accept Kvaerner's £904m bid after. warning that Trafalgar was unlikely to pay a dividend for at least a year. His comments were contained in an offer document sent to Trafalgar shareholders by the Norwegian engineering and shipping group, which has offered 50p for each Trafalgar ordinary share and 80p for each convertible preference share.

Kvaerner, which is raising £750m of borrowings to finance its purchase, intends to raise a similar amount from disposals of non-core assets of the combined businesses. Industry analysts expect these to include Cunard, Trafalgar's lossmaking cruise shipping line. However, Mr Erik Tonseth, Kvaerner's chief executive, told shareholders he would examine "a range of options regarding the development of ." Cunard, which do oot preclude Cunard remaining a part of Andrew Taylor and Tim Burt

Leeds raises £15m for purchase

Leeds Group, the yarn and fabric dyer and printer, is raising £15.1m (\$23m) net via a placing and open offer. Part of the proceeds will fund the £11m initial consideration for Nemesis a north Italy-based fabric company it is acquiring for up to £15.7m. Hambros Bank is underwriting the placing and 21-for-100 offer of 6.27m new ordinary shares at 256p.

Nemesis, based in Solbiate Arno, near Milan, is owned by the Prandoni family and specialises in making printed cotton fabric for garden furniture and home furnishings. For the year to September 30 1995 it made pre-tax profits of £2.37m on turnover of £22.9m, of which more than 70 per cent was accounted for by exports. It sources most of its fabric from Leeds is assuming debt in Nemesis which, excluding

3. DE0 4 .

guarantees, amounted to £10.8m at January 31. The deferred payments are profit-related.

Regent Pacific stake up for sale

Shareholders in Regent Pacific, the Hong Kong-based fund management company with a record of hostile bids for the cootrol of investment funds, have put a substantial stake up

UK-based Phoenix Securities has been hired to find a buyer for the stake, believed to be the 60 per cent held by Canada-based Altamire Investment be available later this week, industry sources said.

Another large stake is held by Mr Jim Mellon, chairman of Regent Pacific Group. He has built it up to become a firm specialising in the deconstruc-tion of investment funds traiding at hig discounts to net

asset value. Regent Kingpin, a subsidiary of Regent Pacific, yester-day announced it had reached agreement with its target: the GT Chile Growth Fund.

Profits from disposals helped Heywood Williams Group, which manufactures aluminium, glass and plastic products for the construction and automotive industries, to report an annual 17 Pre-tax profits for 1995 rose from £33.1m to

margins came under pressure from raw material price rises, cutting operating profits, before exceptional items, from £33.1m to £28.6m. Mr Michael Broadhead, managing director, said he was "reasonably satisfied" with the

results. He expected an improved performance this year, with the group's main market of man-ufactured housing in the US poised to enjoy

The group makes more than half its sales in

resin for pipe extrusions.

UK operating profits fell from £9.7m to £8.2m.

and car care products acquired last September, performed in line with expectations.

improved from £2.3m to £2.8m. The French subsidiarles moved back into the hlack, hat Mr Broadhead said he was concerned by the market in Germany, where the building industry

By Geoff Dyer

breached.

Eurotunnel

'standstill'

on deadline

The stakes in the refinancing

negotiations between Euro-tunnel and its banks will be

tant six month deadline is

The group's 225 banks can

now end the so-called standstill

period if 65 per cent, by value

The standstill period began

in September after Eurotunnel,

the Anglo-French group,

suspended interest payments

on £8bn (\$12bo) of debt. It can

last for up to 18 months. Dur-

ing the first six months an 85

per cent vote was needed to

If the standstill period ends

before a refinancing agreement

has been reached, the Channel

tunnel operator could go into

administratioo. However,

while the chance of a bank

revolt is theoretically more

possible, bankers report little

prospect of this happening at

The prospect of the March 14

deadline was one of the factors

which motivated the French

commercial court last month

Bankers say that the negotia-

tions are still deadlocked while

they await detailed informa-

tion from Eurotunnel on its

long-term growth prospects.

to appoint two mediators.

the moment.

terminate the agreement.

of their loans, vote to do so.

RECOMMENDED CASH OFFERS BY

SBC Warburg a division of Swiss Bank Corporation on behalf of Kværner a.s

for Trafalgar House Public Limited Company

Kyærner a.s ("Kyærner") announces that, by means of a formal offer document dated 13 March 1996 (the "Offer Document"), SBC Warburg, a division of Swiss Bank Corporation ("SBC Warburg"), has made Recommended Cash Offers (the "Offers") on behalf of Kværner to acquire all the Ordinary Shares and all the Convertible Preference Shares in Trafalgar House Public Limited Company ("Trafalgar House"). Terms defined in the Offer Document have the same meanings in this advertisement.

The Offers are on the basis of 50 pence in cash for each Ordinary Share and 80 pence in cash for each Coovertible Preference Share.

The Shares which are subject of the Offers will be acquired fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights oow or after the date of the Offer Documeot attaching thereto including, in the case of the Ordinary Shares, the right to receive dividends and other distributions declared, paid or made after 1 March 1996 and, in the case of the Convertible Preference Shares, the right to receive dividends or other distributions declared, paid or made oo or after 31 January 1996.

Shareholders accepting either or both of the Offers, other than certain overseas Shareholders, may elect to receive loan notes ("Loan Notes") instead of some or all of the cash consideration to which they would otherwise be entitled under the Offers on the basis of £1 cominal of Loan Notes for every £1 of cash consideration receivable under the Offers. The Loan Notes will be issued credited as fully paid in integral multiples of £1 oominal amount and any fractional entitlement to Loan Notes will be paid in cash. The Loan Notes will be transferable subject to certain restrictions, but no application will be made for the Loan Notes to be listed or dealt in on any stock exchange.

Accepting Shareholders may only rely upon the Offer Document and Forms of Acceptance for all the terms and conditions of the Offer. Copies of the Offer Document and Forms of Acceptance are available for collection during normal busioess hours from Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA or from SBC Warburg, 2 Finsbury Aveoue, Londoo EC2M 2PP. Acceptances of the Offer should be received no later than 3.00 p.m. on 3 April 1996 (or such later time(s) and/or

The full terms and conditions of the Offers are set out in the Offer Document and in the related Forms of Acceptance.

date(s) as Kværner may, subject to the City Code on Takeovers and Mergers, decide). The Offers are made by means of the Offer Document and are made to all holders of Shares, including those to whom the Offer Document

The Loan Notes to be issued pursuant to the Offers have oot been and will not be registered under the United States Securities Act of 1933 (as amended) nor under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, unless an exemption under such Act or relevant securities law is applicable, the Loan Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia or Japan or for the account or benefit of any United States, Canadian, Australian or Japanese person.

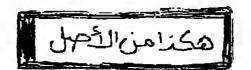
The Offers are oot being made, directly or indirectly, in or into, or hy use of the mails or any means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, oor are they being made in or into Canada, Australia or Japan. Accordingly, copies of the Offer Document and related Forms of Acceptance and this advertisement are not being, and must not be, mailed or otherwise distributed or sent in or into or from the United States, Canada, Australia or Japan. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) should not distribute or send them in, into or from the United States, Canada. Australia or Japan, or use such mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with the Offers and doing so may invalidate any purported acceptance.

SBC Warburg is acting for Kwærner in connection with the Offers and no one else and will not be responsible to anyone other than Kværner for providing the protections afforded to its customers or for providing advice in relation to the

The members of the hid committee of Kværner, and the other persons named in paragraph 2 of Appendix 5 to the Offer Document, accept responsibility for the information contained in this advertisement and to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

14 March 1996

(144.8) (53.6) (128.) (76.6) (1.041) (-) (1.01) (7.54) (370.6) (74.3) (24.2) (72.1) (24.9) (3.035) (41.7) (51.3) 17.74 8.54 3.534 4.55 95.1 0.550. 0.5214 11.1 33.794 49.614 49.614 49.614 49.614 4.01 6.83† 19.6 1.7 21.04 7.581 2.7† 12.4† 6.5 7.10.2† 44.61 9.6† 4.37 3.4 11.8† 81.3 14.6 81.3 3.3 6.7† (4.63) (15.4) (6) (20.7) (20.05) (-1) (19.8) (19.8) (11.5) (11.5) (13.4) (42.7) (42. Yr to Dec 31 Yr to Dec 31 Yr to Dec 31 (6.9) (8.01) (3.59) (7.74) (0.110) (1.74) (3.02) (1.73) (1 65.5 142.5 Yr to Dec 31 6 miths to Dec 31 6 miths to Dec 30 —— Yr to Dec 31 Freeport Leisure ... Furlang Hames Ф Haden MacLellan . 438 562.5 80.2 211.9 89.3 26.1 3,649 46 69.2 Yr to Dec 31 6 miles to Dec 31 (-) (2.85) (256.5) (406.3) (3.14) 12.1 Shire Phenus 6 miths to Dec 31 300 456.4 Yr to Dec 31 (990.3) (88.11) (117) (686.2) 354.13 107.52 1.875 7.6 Yr to Jan 31 0.1 0.375 0.859 (0.495) (2.73) 1486 0.42 3.73 0.35 . S miths to Jan 31 187.7 Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. VAlter exceptional cradit. 10n too



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Oil price hits

two-month high in extended rally

By David Lascelles. Resources Editor

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The oil price rose for the third day in succession yesterday, hitting its highest point in London in over two months.

Brent crude for April delivery was at \$19.11 a barrel, up 35 cents, taking the gain so far this week to 94% cents, and putting the price close to the year'a high on January 9.

Short term buying pressures also pushed the price for nearterm delivery far above longer dated contracts. Brent for December delivery atood at \$18.30. This situation, known as backwardation, reverses the more usual price differential where the longer dated con- reduce buying pressure.

tracts are the most expensive. Traders gave a variety of reasons for the upward pressures. Low stocks of gasoline in that US were said to be boosting demand for crude. But other traders said this had been known for some time.

Mr Peter Gignoux, head of the energy desk at brokers Smith Barney, cited short term timing issues related to cargo movements. He noted that oil had not recently stayed above \$19 for long, and he expected it to decline once deliveries were flowing smoothly again. "There is a lot of overhead resistance," he said. He also noted that the northern hemisphere spring would tend to

Economic growth 'may spark commodity boom'

By Deborah Hargreaves

Growth in the world economy together with tight stocks of most raw materials could lead to another commodity price boom by the end of the year, according to the latest research from Goldman Sachs, the US broker.

The report estimates that by the end of the year and in the first half of 1997, nearly all regions of the global economy will have average or above average growth rates.

"Historically, with capacity already stretched, snch a period of synchronous growth would be expected to generate commodity returns in excess of 20 per cent for an extended aaid Mr Steve Strongin, Goldman's commodity strategist in his latest

Goldman Sachs forecasts and Japanese economies will would barely be noticeable if grow at between 2 and 3 per stocks were higher.

cent this year and next, but that growth in Latin American and non-Japanese Asia will be between 5 and 8 per cent respectively with the Middle East and Africa at 4 per cent. Strong growth in the emerg-ing markets with their intensive use of commodities, tight

stocks and a lagging but strong G-7 "is about the best possible set of structural conditions for a sustained commodity rally," the report notes. In addition, high levels of global demand have driven commodity stocks in most categories well below normal lev-

els, Mr Strongin notes. This

leaves markets such as oil,

wheat, aluminium and copper

vulnerable to supply disruptions and demand surges. Mr Strongin points out that low stock levels have caused price surges every time there is a slight disruption in supply or that the US, European Union a demand increase which

COMMODITIES AND AGRICULTURE

Common ground sought on 'sustainable' forestry

By Manuela Seragosa In Jakarta

A fresh effort to find common ground between the forestry industry and environmentalists was launched last week in Indonesia, home to the world's second-largest reserves of rainforests, after Brazil

The week-long public hear-ing was held in Jakarta by the World Commission on Forests and Sustainable Development, which was established after the 1992 Rio de Janeiro "Earth

Summit*. It was the first in a miss the event as the "usual series intended to help the rhetoric". But its supporters commission compile policy recommendations to be handed in to the United Nations next

No policy suggestions were made at the end of the Jakarta hearing, but the commission reiterated its conviction that there were possibilities of accommodating both conservation and forest development

objectives.
This basic premise has led

say the commission's aim of setting a standard for the global forestry industry against which individual coun-

right direction. With issues such as the protection of biodiversity and the role of industry in deforestation on the agenda, debate between some 300 participants often erupted into shouting

matches in what was, for

tries will be able to measure

their policies is a step in the

Indonesia, a rare display of unanswered is; 'Can you successfully log without impover-

The commission said calls by northern non-governmental organisations and environmental advocacy groups to pre-serve what is left of the world's forests did not accommodate the needs of 500m Asians who still lived in poverty.

It also became apparent that there was no consensus on a definition of sustainable development nor on the extent to which biodiversity should be protected. "A question still slash and burn agriculture, is

ishing biodiversity?"," said Mr Ola Ullsten, the former Swedish prime minister who is also the commission's co-chairman. "The answer I think is no."

is acceptable?" Few participants doubted that a significant reduction in the rate of deforestation would have to involve recognition of

That led to a second question:

"How much loss of biodiversity

recognised as the largest contributor to deforestation in the developing world.

A widespread view at the bearing was that communities living near or in the forest must have more control over

its use and management. "Local communities abould be given a fair share of forest benefits, such as profits earned by forest industrial companies and those using forest genetic materials in the pharmacenti-cals industry," the commission said in its final statement.

Pellets hit the mark for steel producers

A record-breaking settlement has stretched iron ore price premiums, writes Bob Jones

ron ore pellet suppliers are There are three main types fast as they can. The global swiftly bringing their 1996 of iron ore: fines, lump and pelmarkets for the lump and pelmarkets. price negotiations to a close in Europe following the record-breaking benchmark settlement negotiated by the Iron Ore Company of Canada at the end of last month.

Europe is the largest consuming region for internationally shipped pellet and tends to act as the price setter during

the annual price talks. The 1996 talks had looked as though they might hit serious difficulties until German steelmakers agreed to a compromise with IOC.

The new IOC level is 53.8 US cents FOB for each 1 per cent of iron content in a tonne of ore, which equates to about \$34.60 a tonne and is a 7.5 per cent increase from last year. The Canadian miners are hailing the price as the highest ever booked.

The pellet price negotiations had threatened to take longer than usual because pellet suppliers enjoyed remarkably good demand in 1995. European steelmakers, however, suffered severe price drops for some fin-ished products in the second half and insisted that pellet demand would not be so good in first half 1996. Buyers also argued that pel-

let suppliers had already

anjoyed highly favourable

increases in the 1995 price

let. The benchmark price for fines, which is the biggest volume item, was settled in Japan at the end of January. BHP Iron Ore agreed a 5 per cent price rise with Japanese steel-

most commercial executives In

the industry, the Australian

miner at the same time agreed

a lower lump price increase of

agree that fine ore has been,

commercially speaking, the weakest area of the iron ore

industry for at least the last

couple of years. Steelmakers

often favour lump and pellet

ore, because these grades do not have to be sintered

(coalesced by baking) before

being fed into the blast fur-

nace, Fines, it is thought, may

be in surplus worldwide to the

tune of about 10 per cent -

though most iron ore miners

state they suffer from bottle-

necks and are delivering as

Both miners and consumers

Destination

makers. To the surprise of have risen moderately - by

Supplier

5 per cent.

let grades are regarded as

In the past two years the prices for lump and pellet have

been rising faster than fines

IRON ORE PRICES

(US cents per 1% iron content in a tonne of ore)

about 10 per cent in Japan for example, But the pellet premi-

ums have in aome cases

reached record levels. The pre-

mium for Canadian pellet over

Canadian concentrates (equiva-

lent to fines) has increased by

more than 22 per cent since

1994 on a fob basis to 23.8 cents

Iron ore fines prices may

have risen by more than 12 per

cent over the same period, but they are still well below the

high point reached in 1991. Pel-

let prices are now looking

much bealthier. Not surpris-

ingly it is pellet production

that is receiving by far the

greatest investment of all the

The latest surga of invest-

(see table).

iron ore types.

COFFEE 'C' CSCE (\$7,500fbs; cents/bs)

NOT PREMIUM RAW SUGAR LCE (cents/lbs)

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

M COTTON NYCE (50,000bs; cents/bs)

Mer 12 Price Comp. daily ______ 104.65

M WHETE SUGAR LCE SAtornel

118.85 -1.15 121.50 118.50 94 753 114.70 -1.25 118.20 114.40 8,752 15,746 113.45 -1.40 116.60 113.10 1,066 4,929 112.70 -0.40 115.70 112.50 197 4,929 111.45 -1.55 114.50 111.00 55 (.523 111.75 -1.40 113.00 111.50 42 412

3828 +10 3810 3785 1,251 13,382 3618 +05 3820 388.5 229 7,217 337.8 +1.4 228.0 385.7 165 4,915 318.2 +0.8 316.3 316.0 5 2,897 317.3 +0.2 510.2 310.2 15 730 309.8 +1.8 308.1 308.0 - 558

1218 +0.07 12.17 11.9711,527 85.517 11.06 +0.08 11.00 10.65 7.94 39,155 10.62 +0.06 10.62 10.57 2.169 28,169 10.22 +0.07 10.2 10.27 675 14.96 10.23 +0.07 10.23 10.15 128 3,841 10.07 +0.07 10.00 2.98 104 1,507 21,710 153,787

83.40 +0.46 83.55 82.75 8,700 21.223 84.25 +0.34 84.45 82.80 1,103 11,384 81.25 +0.25 81.30 80.75 177 2,488 72.45 -0.09 73.85 78.30 788 77.110 80.12 -0.25 82.40 80.75 94 1,772 80.75 -0.23 80.80 80.76 15 700 5,886 56,788

133.25 -1.25 134.90 132.25 1,532 15,699

127.75 -0.20 - - 55 816 125.20 -1.30 126.80 125.25 70 2.610 127.00 -1.25 127.09 127.00 20 144

■ ORANGE JUICE NYCE (15,000bs; cents/bs)

Open Interest and Votume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME and CSCE are one day in arrests.

Mer 13 Mer 12 month ago year ago 2135.6 2132.4 2142.2 2337.7

VOLUME DATA

REUTERS (Base: 18/9/31=100)

E CRS Fetures Base, 1967=100)

Mar 12 Mar 11 month age 248.89 248.47 249.68 III GSCI Spot (Base: 1970–100)

42 412 8,209 28,822

Press. day 103.53 105.58

Ore Type 1926

Mt Newman Fines 28.78

Mt Newman Lump 37.68
Carol Lake Concentrates 30.00
Carol Lake Pellet 53.80

ment in pelletising has seen the commissioning of new plants in Sweden and Venezuela. Projects to install new capacity are under construction or have been approved in India, Venezuela, Chile, Mexico prices. The premiums for lump and Brazil. Further invest-

1994

33.26 26.15

ments in pelletising are under

study In Peru, Saudi Arabia

The engine for this growth,

however, is not primarily the

traditional blast furnace opera-

sumers. This is despite the fact

that overall seaborne volumes

of iron ore are increasing -

from 379m tonnes in 1994 to

405m last year. The figure

should have increased further

to 420m tonnes by 2000, accord-

This growth will mainly be

in Asia, which is not as heavily

associated with pellet con-

sumption in blast furnaces as

Western Europe and the USA.

interest in pelletising is the

The main reason for the new

ing to Brazil's CVRD.

35.89 27.70

and Australia.

1991

41,48 34.60

expected growth in direct reduced fron making. DRI can be used as a scrap substitute stocks for the new generation of mini-mills that are increas ingly stealing market share from blast furnace-based steelmakers - especially in the US and parts of Asia.

Most pelletisers believe that

the DRI market has the more attractive prospects. Besides. DR-grade pellet sells at a 7.5 per cent premium to blast furnace pellet.

Last year DRI production worldwide was 30.7m tonnes, according to the largest DR technology supplier. Midrex

Corporation of the US.

That was 12 per cent higher than the 1994 total. Midrex predicts that global DRI output will hit 48m tonnes in 2000, and 53m tonnes in 2005. This 18mtors, which comprise by far the largest number of pellet contonne growth in five years predicates a requirement for upwards of 30m tonnes more DR pellet.

If fines prices drop during this period, as the cyclicality of the steel business leads one to expect, pellet prices should be dragged down too. But the premium for pellet

over fines should atay high, giving pellet operators the margin they need for profit-Bob Jones is deputy editor (steel) of Metal Bulletin maga-

a tonne.

JOTTER PAD

MARKET REPORT Supply tightness lifts lead prices

LEAD prices reached fresh five-year highs on the London Metal Exchange yesterday before easing back a few dollars. Physical demand in Europe was fairly slow, but tightness around the March delivery date was making some traders nervous about selling the market.

The fact that total world reported stocks were below the critical five weeks' consumption level was also deterring sellers, traders added.

ZINC prices rose to a fresh 10-month highs at one stage but producer selling, mine pricing and profit-taking combined to cap the rally, and three month delivery position ended the after hours "kerb" at \$1,110 a tonne, down \$5 from Tues-

The three months delivery price for ALUMINIUM fell to \$1,636 a tonne from \$1,645 after peaking at \$1,650. The major upside objective was pegged at the recent \$1,667 hlgh, although a period of consolidation would be needed before the level could be breached, chart watchers predicted.

TIN spent most of the day in the minus column as bearish charts continoed to pressure prices. But the market managed a small \$10 rise to \$6,110 by the close for the three months position.
Three months NICKEL also

nudged up \$30 to end at \$8,140 Compiled from Reuters

COMMODITIES PRICES

BASE META LONDON ME (Prices from Amalgas III ALUMINIUM, 983	TAL EXCI	ading
•	Cush	3 milhs
Close	1614.5-5.5	1844-6
Previous .	1806.5-7.5	1696-7
High/low	1817.5/1617	1650/163/
AM Official	1617-7.5	1647-7.5
Kerb close		1635-6
Open int.	216,575	
Total daily furnover	72,860	
III ALLININIUM ALL	OY (5 per tonne	
Close	1355-65	1305-400
Previous	1350-60	1390-5
High/low .		1403/139
AM Official	1355-8	1395-400

AM Official Kerb close Open int. . Total daily turnover B LEAD (5 per tonne) 791-1.5 811.5-3.5 799.5-800.5 809 806.5-9.5 High/ow AM Officiel Kent close Open int. Total daily turnover 788-9 39,979 10,401 III NICKEL S pertonne) 6155-60 8058-60 7990-8000 8090-100 8170/8125 8130-35 8130-40 High/low AM Official

Kerb close Open int. Total delly turnover Close
Previous
High/low
AM Official
Kerb close
Open int.
Total daily turnover 6100-5 6050-60 6110/6080 6060-70 6010-20 6055-65 16,412 4,084 M ZINC, special high grade (S per tonne) 1117-8 1097.5-8.5

1084.5-5.5 1102-3 1123/1107 1115-6 1109-10 High/low AM Official 1096-7 Open int. Total daily turnover 22,809 M COPPER, grade A (\$ per torme) 2593-5 2604.5-6.5 2571-2 Close Previous High/low AM Official 2600 2600-1 Kerb close Open int. Total daily turnover LME Closing 2/8 rate: 1.5230

HIGH GRADE COPPER (COME) Sett Dey's price champs High Low Vol 120.10 -1.30 121.20 120.05 950 118.65 -0.80 120.00 118.70 5,354 2 118.85 -0.90 118.85 118.85 15 118.50 -0.95 116.20 115.40 395 118.65 118.85 -0.80 120.20 118.40 319 1.760 118.85 -0.80 120.00 118.70 5.564 21.037 118.85 -0.90 116.85 118.85 15 858 115.50 -0.95 116.20 115.40 395 4.960 113.20 -0.85 113.60 113.30 212 28.46 7.728 87.4

PRECIOUS METALS II LONDON BUILLION MARKET (Prices supplied by N M Rothschild Gold(Troy oz) \$ price £ equiv SFr equiv 396.60-396.90 397.00-397.40 397.40 261.052 472.568 396.50 260.341 471.557 397.70-398.10 396.30-398.50 Day's High 396,20-396,60 Loco Ldn Meas Gold Landing Rates (Vs USS) 1 month ...

___4.93 ____4.21 US cts equiv. 557.50 554.55 571.10 584.50 9/100y 02. 385.95 371,20 376.00 385.90 e months с есим. - \$ price **Gold Coles** Krugerrand Mepte Leef

Precious Metals continued GRAINS AND OIL SEEDS ■ GOLD COMEX (100 Troy dz.; \$/troy dz.)

416.2 +1.7 417.5 414.5 2,888 11,868 419.3 +1.8 420.0 418.0 935 7,268 421.9 +1.8 421.5 421.5 169 1,871 424.4 +1.8 424.8 424.0 75 762 428.7 +1.8 - 200 202 4,872 21,873

142.30 -2.15 144.90 142.00 13 71 142.80 -1.40 144.25 142.50 921 5.999 143.90 -1.40 - 210 279 144.80 -1.40 - 11 83 1,155 6,432

593.5 +4.1 590.0 593.5 17 342 583.2 +3.7 584.5 597.0 14.901 51.451 588.0 +3.4 599.5 582.5 826 13.22 578.9 +3.4 599.5 588.0 181 16.25 580.2 +3.4 582.0 576.0 63 7.491 557.6 +3.4 580.0 588.5 98 2.753

M PLATINUM NYMEX (50 Troy oz.; S/troy oz.)

PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

SELVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Sep Dec Total

ENERGY

WHEAT LCE (E per tonne)

120,85 +0.15 122,00 120,80 108,50 +0.23 109,50 109,50 110,95 +0.30 111,10 111,90 112,80 +0.45 112,85 112,85 WHEAT CRT (5,000bu ming cents/80th bushel) 513.50 +8.50 518.00 508.00 1,290 4,498 484.50 +1.50 487.50 480.50 8,858 28,780 447.75 -4.25 453.50 448.50 14,183 47,262 451.75 -3.75 456.50 448.50 666 8,058 461.50 -5.75 467.75 461.00 1,449 6,196 464.00 -4.00 465.00 464.00 28 303 28,185 94,657 M MAIZE CBT (5,000 bu min; cents/56tb bushel) 395.00 +4.00 385.00 391.00 3,173 10,359
399.25 +3.00 389.25 385.75 45,778 207.765
778.75 +1.25 380.25 378.75 14,989 124,214
329.75 -0.50 339.59 327.50 2,073 36,246
318.25 -1.25 377.50 314.25 10,471 68,211
321.50 -1.00 322.50 378.50 380 7,513

M CRUDE OIL NYMEX (42,000 US galls. S/barrel) 20.86 20.35 48,423 73,870 19.82 19.41 36,219 81,039 19.10 18.76 14,146 50,792 19.79 +0.31 19.52 18.70 14.146 50.782 19.50 +0.27 19.10 18.76 14.146 50.782 19.59 +0.21 18.59 18.34 5.974 40.810 18.27 +0.19 18.27 18.03 4.572 22.130 18.03 +0.16 18.03 17.88 1,716 16.774 122,977 422,457 IN CRUDE OIL IPE (\$/berrel) 18.75 21,200 30,835

18.29 +0.33: 18.29 17.76 19.497 69.305 17.56 +0.90 17.56 17.22 4,110 29.067 17.10 +0.25 17.10 18.82 1.546 36.034 18.86 +0.22 16.86 16.98 957 10.518 18.84 +0.14 18.71 18.51 199 11.793 44,696 209.065 MEATING OIL MAKEX (42,000 US galls; c/LS galls) 55.75 +0.92 55.85 54.80 14,717 23,886 52.25 +0.73 52.40 51.15 7,184 16,980 50.50 +0.58 50.80 49,76 8,875 11,738 50.05 +0.53 50.10 49,55 1,798 7,885 50.40 +0.53 50.40 49,85 2,034 6,531 50.70 +0.15 50.70 50.30 15 2,740 81,362 67,408 E GAS OIL PE (\$/torno) 13,712 52.44

MATURAL GAS NYMEX (18,000 mmBas; StranBas) 2,235 +0.057 2,265 2,130 11,748 23,530 2.255 +0.027 2.150 2.075 4.019 20.255 2.000 +0.022 2.000 1.985 1.542 15.772 1.990 +0.022 1.995 1.955 678 13.074 1.980 +0.022 1.985 1.825 588 12.173 1.980 +0.022 1.985 1.825 588 12.173 1.980 +0.022 1.985 1.825 588 12.173 1.980 +0.022 1.985 1.985 988 12.173 1.980 +0.022 1.985 1.985 988 12.173 1.985 1. 2,135 +93.67 2,130 2,075 4,078 21,555143,845

WILEADED GASOLINE | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100

SOFTS COCOA LCE (E/torne) 336 \$,413 33 688 10 222 42 1,456 40 379 579 6,340 916 916 936 951 971 898 922 941 957 876 E COCOA CSCE (18 torres; \$/torres) 1201 -14 1208 1206 54 158 1211 -10 1224 1210 2,789 38,575 1237 -15 1237 1235 1,179 21,557 1280 -17 1279 1280 212 12,840 1295 -17 1314 1296 234 13,485 1324 -15 1340 1340 10 7,628 ■ COCOA (ICCO) (SDR's/tonne) III COFFEE LCE S/some 2028 +23 2040 2015 315 2,713 1983 +24 1810 1857 2,544 13,023 1818 +29 1840 1800 1,082 4,008 1793 +34 1805 1772 542 3,007 1778 +22 1790 1755 485 1,424 1763 +47 1780 1735 518 314 5,008 25,022

108.00 -0.50 108.25 108.00 108.75 -0.25 109.90 109.50 105.60 +0.30 - -107.70 +0.25 108.15 107.75 108.60 +0.35 - -M SOYABEANS (ST 5,000be mix cents/90b buchel) 771.25 +4 721.50 715.50 3.138 2.451 730.25 +2.25 731.50 724.50 27,884 71,402 737.75 +2.5 735.50 732.25 7,385 60,277 738.00 +2.5 738.50 732.00 647 6,300 738.25 +2.75 730.00 734.50 225 3,543 725.25 +1.75 726.00 721.50 6,040 54,777 725.27 41.75 726.00 721.50 6,040 54,777 M SOYABEAN OIL CET (EQ.000lbs: cents/fb) SOYABEAN MEAL COT (100 tons; \$/ton) 225.0 -0.2 226.3 227.4 3,488 1,864 222.3 +0.2 232.5 231.1 11,329 38,026 225.3 +0.3 235.8 234.2 2,779 24,604 235.5 +0.2 235.3 234.6 296 5,049 234.5 +0.4 234.5 233.8 102 3,449 237.8 +0.1 237.7 237.0 277 2,856

POTATOES LCE (Externa) CHT (BIFFEX) LCE (\$10/index point) 16 847 36 1,336 74 425 33 1,837 5 620 - 52 168 8,154 1403

All futures data supplied by CMS.

steady at 8,060 FAS Callornia. Inclan casherns steedy at 6,060 FAS Cationals, Inclara casherer few; 1995 crop; W-320, 5,850 spot Europe; 5,925 CFR MEP Merch-Aprit; W-240 6,100 spot Europe; 5,925 CFR MEP Merch-Aprit; W-240 6,100 spot Europe; 5,850 CFR MEP Merch-Aprit, 1095 crop to 2,400 CFR MEP, stable, Pumpkin steeds: 1,905 crop, long, grade A, at 2,060 FCA Europe; Hulbed Chinese 2,300 FCA Europe, Turkish apricos, state 4, 2,050 CFR MEP, quiet, with prices down slightly. Chinese grade A pine ternels, 1995 crop at 6,200, sept Ruspee m 4,500 CFR front orbidi. MEAT AND LIVESTOCK ILLIVE CATTLE CME (40,000the; conts/lbs)

> 892 781 26,522 915 2,197 16,590 936 453 38,998 951 1,195 18,297 970 613 40,081 1210 2,788 38,675 1235 1,179 21,357 1280 212 12,040 1296 234 13,485 1340 10 7,628 4,502 98,464 52.200 -0.325 63.500 81.800

> > LONDON TRADED OPTIONS Strike price \$ tonne — Calle — --- Puts ---1700 .

Dubal Brant Bland (dated) Brant Bland (Apr) W.T.L \$19,60-9.62 \$19,10-9.12 \$20,78-0.80w ■ Oil PRODUCTS NWE prompt delivery CIF (forme) Hesvy Fuel Oil Naphtha Jot fuel 5107-108 \$174-176 \$212-214 ■ OTHER \$396.75

Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) 41.75c Cattle (five weight)† Sheep (five weight)†¢ Pigs (five weight)† 152,70p 106,47p \$322.4 Lon. day sugar (13w) 5395.3 Lon. day sugar (wite) Barley (Eng. feed) Make (US No3 Yello 113.25 Wheet (US Dark North) Ung. Rubber (April P Rubber (May) V Rubber (KL RSS No1) 105.50p Coconut Oll (Phill) \$517.5 Copre (Philis Soyabeans (US)

64.300 +0.950 64.450 63.750 4,167 28.891 63.375 +0.725 63.700 63.000 1,432 13,836 63.825 +0.400 64.050 63.650 523 10,272 62.700 +0.200 62.800 62.500 389 5,983 49,200 +0,050 49,675 49,050 3,094 11,702 53,675 +0,375 54,200 53,350 2,631 13,224 70.500 -0.125 71.050 88.750 296 807 89.425 -0.250 70.500 88.200 1,428 5,773 85.100 -0.200 67.300 55.150 309 2,350

2,130 10,677

LONDON SPOT MARKETS

Gold (per troy oz) \$ Silver (per troy oz) \$ Pistinum (per troy oz.) -0.12* +7.62 -3.7 -0.25

440p

CROSSWORD No.9,018 Set by HIGHLANDER

1 Reserved a funny act to introduce one performance (8) 5 British vessel used by mild producer perhaps (6) 10 Keep supplies of basic film

greased (5) important (6) one, with a bloomer every

vear! (7) first (3,4) 20 He belps restaurateur write a novel (6) 22 One leg before, one caught in classical style (5)

24 One day briefly ceases to cook 25 is put out behind and lay 26 Man I would put first, in a manner of speaking (5)
27 Gets wind of American money

28 Type of office ready for busi-

1 This paper has to publish on

4 Western thief has to move quietly on top of roof (7)
6 Justification afterwards for
the process of cutting down

Mich. (or Hil.) (5-4)

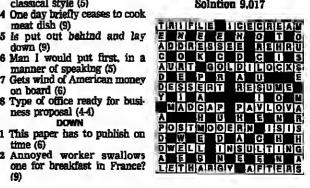
12 In France, one second knocked off without any

8 Army engineers laid up – but healing (8)
9 Detectives run on, all over Scandinavian (6) training (9) Scandinavian (6)

13 Worked without starter being 16 Don't move the Tower's cash

15 Sounds like chancellor needs 19 King at the rear has an orien tal coat (6)

20 Published account correctly reported to university (5-2) 21 Language used by younger mandarins isn't Chinese (6) 23 A sound sense of smell catches first bit of it (5) Solution 9,017



BTPs closed at 108.24, down

0.06. The 10-year spread over German bunds, which has nar-rowed substantially in the last

few weeks, stood at 425 basis

points, down from 487 basis

According to Mr José Luis Alzola at Salomon Brothers,

the removal of the withholding

tax "has certainly played a rola

in the narrowing of spreads in the last few months", but its

effects are expected to be

short-lived. Mr Alzola also

warned of a possible rise in volatility in the run-up to the

French government bonds traded up during the day, but

ended off their highs. Matif's

March notional contract closed

at 120.82, up 0.24. The March

3-month Pibor contract settled

at 95.64, up 0.04. In the cash

market, the spread over 10-year bunds widened by one basis

Spanish bonds closed higher,

buoyed by a 50 basis point cut in the central bank's interven-

tion rate, bringing it to 8.25 per

cent. This fillip allowed the

market to overlook the release of slightly disappointing infla-

tion data for February. The

March 10-year bono future set-

point to 17 points.

elections on April 21.

points at the end of 1995.

Europe still coupled to US yields Daiwa plans Issuers tap demand from

By Samer Iskandar in London and Lisa Bransten in New York

European bond markets were firmer early yesterday, but lost ground later in the day when traders were made nervous by

an erratic US Treasury market. Analysts expect a rebound soon, due to a bullish economic environment in Europe, but a decoupling from US yields seems unlikely in the immediate future.

■ US Treasury prices seesawed through tha morning and were flat by midday as traders prepared for data on consumer and producer prices

due out today and tomorrow. Near midday, the long bond was is higher at 91% to yield 6.653 per cent and the two-year note was up 1 at 982 to yield

5.705 per cent. Treasuries began the morning by recouping most of the losses made on Tuesday, but by mid-morning the market began falling as commodity prices continued to rise.

In particular, rising oil prices set off fears that inflationary pressures could emerge and erode the value of longer-term securities,

By late morning crude oil futures traded on the New York Mercantile Exchange had record highs. The April crude contract added 24 cents to \$20.70.

The report last Friday of a jump in non-farm employment sent the Treasury market tumbling as traders worried that a tight labour market and a strong economy could create inflationary pressures in the economy.

The market did get some relief from the Federal Reserve's Beige book, which

GOVERNMENT BONDS

was prepared in advance of the March 26 meeting of the Fed's Open Market Committee and released at noon.

Although the report documented a modestly expanding economy in the first two months of the year it found that manufacturing activity was "fairly flat" and that wages and prices were sub-

The market has written off the possibility of the Fed cutting interest rates at the FOMC meeting but the report was interpreted as a signal that the central bank is not preoccupied with the prospect of a resump-tion of inflationary pressures.

passed Tuesday's levels to post **I** UK gilts recovered partly from the losses incurred last Friday and earlier this week, sustained by the release of weaker-than-expected unem-

ployment data for February. Liffe's June 10-year gilt future settled at 1041, up 3. Some analysts believe the recent fall in bond markets has been "overdone", and expect a rebound soon. However, given the high correlation between the UK and US markets, there is a possibility that "gilts could fall further if we see more weakness in Treasuries", said

German bunds were firmly supported in early trading, but suffered later from weakness in the US Treasury market. Liffe's June 10-year bund contract settled at 95.26, up 0.07, but well off its high of 95.65.

■ Italian bonds traded higher during the day on reports that a 12.5 per cent withholding tax was about to be scrapped for non-residents, but lost ground later in the wake of falling Treasuries and bunds. The measure was approved last year, but market participants were awaiting the announcement of implementation

Liffe's June future on 10-year

Burmese **OTC** joint

venture By Peter Montagnon

Japan's Daiwa Securities has applied to the Burmese government for permission to establish a joint venture company to develop an over-thecounter market in local shares, according to Mr Zeni-chi Ishikawa, managing direc-tor of the Daiwa group's research institute, which is

assisting in the project. Together with its prospec tive partner, the Myanmar Economic Bank, Daiwa believes an over-the-counter market will be a stage on the way to the establishment of a full stock exchange in Burma.

Daiwa has pledged to help the Burmese authorities set up a stock exchange. This is still at least two or three years

away, Mr Ishikawa said. Burma's socialist government nationalised most indus tries in the 1960s, and the country still lacks companies eligible for flotation,

Recently, bowever, there has been some informal trading of shares in companies that are joint ventures between the government and the private sector, said Mr Ishikawa.

Daiwa's venture aims to facilitate this business and create the nocleus of a more formal exchange on which Burmese companies could be listed as they are eventually

privatised, he said. Daiwa is one of several Japanese companies that have been sbowing an interest in Burma because of the country's large natural resources in the form of natural gas, minerals and

Burma is also an attractive trading partner for Japan because of its rice surplus, which could be increased sharply with modern irrigation methods, Mr Ishikawa

1 Up to 5 years (23)

e Up to 5 years (1)

FT-ACTUARIES FIXED INTEREST INDICES

121.87

Wed Day's Tue Mar 13 change % Mar 12

+0.28

+0,11

121,58

European retail investors

By Conner Middelmann

The eurobond market had an active session yesterday, but most of the new issues were short-dated, relatively small and targeted at European retail currently the only investors willing to buy new bonds. Germany's Landesbank

Schleswig-Holstein issued \$200m of three-year bonds whose 6 per cent coupon -lifted by the recent back-up in yields - was attractive to retail buyers, said SBC Warburg. joint lead with Nomura.

A longer-dated 6 per cent offering for Rabobank, maturing in December 1999, was also retail-targeted. Pricing, at 5 basis points over the three-year Treasury and about flat to the interpolated curve, was deemed tight but lead manager Daiwa reported good demand from European retail accounts. General Electric Capital

US DOLLARS

Corp, meanwhile, offered retail - Toyota Motor Credit Corp investors DM250m of threeyear bonds carrying a 5 per cent coupon and yielding 5 basis points over bunds at the issue price, via SBC Warburg.

The flood of French franc deals for non-French borrowers continued, with two offerings triggered by attractive arbitrage opportunities and strong

INTERNATIONAL BONDS.

"Domestic investors have been keen to diversify away from French names while foreign investors, who were underweight in francs at the beginning of 1996, have been buying heavily," said a dealer at a French bank. "This has been one of the few sectors this year where investment flows

NEW INTERNATIONAL BOND ISSUES

0.19R 0.19R 0.13R

-- Low poupon yield -- -- Medium coupon yield -- -- High: Mar 13 Mar 12 Yr. ago Mar 13 Mar 12 Yr. ago Mar 13

7,67

1.84

1.86 - 2.37

7.57

have exceeded supply."

issued FFr1.5bn of six-year bonds via Paribas yielding 18 basis points over French government honds Its triple-A rated issue got a warmer reception than the FFrL5bn offering of five year bonds for Bayer-ische Hypothekenbank, rated Aa2/A+ and priced to yield 19 basis points over government debt. "There's been more than FFr10bn of German bank debt in the last month - people are bored with it," said a dealer.

Daily Mail & General Trust issued £100m of 25-year bonds yielding 154 basis points over the new 25-year gilt, targeted largely at UK institutions. Mexican oil company Pemex

made a successful debut in Italian lire Its L300bn two-year deal, priced at 270 basis points over swaps, achieved the lowest coupon and spread of any emerging market issuer in lire, lead manager JP Morgan said.

Lucent IPO price indicated at \$22-\$25

Lucent Technologies, the equipment business of the US telephone company AT&T being spun off in the biggest ever IPO, has been given an indicated price of \$22-\$25 per share, valuing the offering of 111m shares at \$2.4bn-\$2.8bn and the whole business at

\$13.7bn-\$16bn. This is substantially lower than the market had expected. but AT&T will also transfer over \$4bn of debt to Lucent. Of the 111m shares offered, and partly to higher adminis-87 per cent will be sold in the trative and research spending.

By Tony Jackson in New York US and Canada, Co-lead banks are Morgan Stanley and Gold-

man Sachs. A further 16.7m shares will be available to the underwriters to cover over-allotment, AT&T said the remaining 525m shares would be distributed to AT&T shareholders by the year end, and could then be sold on the open market.

Lucent warned that it would maka an increased operating loss in the seasonally weak first quarter of this year, due partly to the costs of the IPO

lt predicted a net loss of \$100-\$140m before accounting changes, against a \$22m loss

The company also expects second-quarter profits to be substantially below last year's \$159m, resulting in a loss for the first half. From the second quarter, quarterly dividends will be paid starting at \$0.75

The company said competition in its markets was likely to increase. This could materially affect future sales and profits. It also warned that its cost of capital was likely to

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

rise after it has severed its links with AT&T. As part of a deal to supply equipment to the Sprint Spectrum wireless telephona alli-ance in the US, it said it was

negotiating a \$1bn loan to Sprint Spectrum. Lucent is cutting 22,000 jobs, half of which are in management. The costs formed part of a \$1.85bn net restructuring

charge last year. The company made net profits of \$980m before net restructuring charges in 1995, against \$482m in 1994. Sales rosa 8 per cent to \$21.4bn

terretian february or garante	100		Distance :				
D-MARKS GECC	250 .	5.00	99.92R	Dec 1999	0.23R	+5(7%-99)	SBC Warburg
SWISS FRANCS Pfanabriet Series 330 Credit Suisse McDonald's Corpil	250 200 125	4.25 4.38 3.75	100.37 100.75 102.35	Apr 2004 Apr 2004 Nov 2000	undisci undisci undisci		Gredit Suisse Credit Suisse Credit Suisse/Matrili
STERLING Dezy Mei & General Trust	100	10.00	. 99.37R	Apr 2021	0.69R	(0)	Merrill Lynch
GUILDERS Nadgae(c)§	200	425	102.50	Apr 2008	2.50		Rabo Securities
FRENCH FRANCS Bryerloche Hypothekenbenk TMCC(d)	1.50n 1.50n	6.125 6.25	100.08R 99.97R	Apr 2001 Apr 2002	0.28R 0.28R	+19(0 +13(0)	Credit Agricole Parities
ITALIAN LIRE Petrologs Mexiconos BB(e)	300bn 200bn	12.25 7.45	99.91R 96.72	Apr 1998 Feb 1999	0.63R 1,25		BCI/JP Morgan BCI/Carlolo/JP Morgan
SPANSH PERETAS Council of Europe	10bn	0.20	101.393	Apr 2001	1.825		BCH
ESCUDOS Eurofmet	150m	i,	101.52	Apr 2006	undied		Banco Claf
AUSTRALIAN POLLARS Commonwealth Blank Australia	125	8.25	101.025	Apr 1999	1.50		CBA APAI AssessMondardentessAr

3.08 3.12 3.66

7.53 7.69

		Coupon	Fled Date	Price	Day's change	Yield	Week	Month	
Australia		10.000	02/00	106,1720	-	9.05	8,52	8.06	
Austria		6.125	02/08	96.0300	+0.010	6.68	8.47	6.24	
Belgium		7,000	05/06	97.5600	+0.120	7.34	6.75	8.39	
Canada *		8.750	12/05	108.8800	+0.510	7.73	7.44	7.03	
Denmark		8.000	03/06	101.8800	+0.380	7.72	7.46	7.16	
rance	BTAN	7.000	10/00	104,6250	-	5.80	5.54	5.36	
	QA7	7.250	D4/06	103.8200	+0.310	6.71	6.56	6.44	
Semmeny Bu	end .	6.000	02/08	95.9500	+0.200	6.57	8.30	5.98	
reland		8,000	08/06	39.2300	+0.380	8.10	7.78	7.36	
taly		9.500	02/06	94,0600	+0.280	10.48†	10.28	9.95	
negsi	No 129	Ø.400	03/00	117.0330	+0.040	1.83	1.81	1.82	
	No 182	3.000	09/05	98.3630	-	3.23	3,16	2.97	
lotherlands		6.000	01/08	96.0400	+0.100	6.56	6.30	5.28	
ortugal		11.875	02/05	112,1500	+0.360	9.77	6.64	9.49	
Spauri		10,150	01/06	100.4500	+0.260	10.05	S.96	9.60	
Mederi		6.000	02/05	81,9310	+0.210	9.04	S.00	8.41	
JK Gias		8.000	12/00	102-03	+12/32	7.46	7.05	5.90	
		7.500	12/06	95-18	+12/32	B.13	7.82	7.59	
		9.000	10/08	105-24	+14/32	8.25	7.96	7.73	
S Treasury	-	5.625	02/06	94-21	+8/32	5.36	6.04	5.59	
		6.000	02/28	21-12	+20/32	8.67	6.43	6.10	
CU (French	Govo	7.500	04/05	101.2200	+0.610	7.31	6.99	6.82	
ondon clastin	o Was Vo				Yields: Local merket stander				

Treasury Bills and Bond Yields

BOND FUTURES AND OPTIONS

US INTEREST RATES

Open	Sett price	Change	High	Low	Est. vol.	Open in
120.78	120.50	+0.22	121.08	120.84	135,765	93,496
120.86	120.54	+0.08	120,80	120.50	79,863	80,395
119.40	119.34	+0.08	116.54	119.36	330	2,511
TERM FRE	NCH BOND	OPTIONS	(MATIF)			
	CAL	\$			PUTS	
Apr	r May	/ J	un	VCs.	May	Jun
			-	0.22	0.54	0.65
-	•		-	0.47	0.86	1.19
0.44	- ۱	1.	.20	0.92	-	1.65
0,15	0.48	3 0	.76	1.62	1.90	2.20
0.04	0.24		47	-	-	-
al, Cats 14,86	10 Puts 15,96	7 . Previous	r day's obt	in the Colls 1	53,328 Pus	144,208.
iny						
	120.88 119.40 TERM FREI Apr 0.44 0.15 0.00 al, Cats 14,86	120.86 120.54 119.40 119.34 119.40 119.34 CALL Apr May 0.44 - 0.15 0.44 0.44 0.44 0.44 0.44 0.44 0.44 0.4	120.86 120.54 +0.08 119.40 119.34 +0.08 TERM FRENCH BONO OPTIONS	120.86 120.54 +0.08 120.90 119.40 119.34 +0.08 116.54 TERM FRENCH BOND OPTIONS (MATIF)	120.86 120.54 +0.08 120.80 120.50 119.40 119.34 +0.08 116.54 119.38 TERM FRENCH BOND OPTIONS (MATIF)	120.86 120.54 +0.08 120.80 120.50 79,963 119.40 119.34 +0.08 116.54 119.38 330 TERM FRENCH BONO OPTIONS (MATIF)

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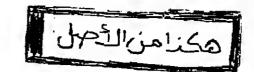
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122	0.1		0.4	В	0.76		1.62		1.90	22		Ju			1-27		-04	+0-08	112-		111-1		8.186		.724
123	0.0	14	0.2	4	0.47		-		-		,	Se	ø	11	1-09		-20	+0-10	111-4		111-0		775		269
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WORLD INTEREST RATES

MONEY RATES

March 13

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week ago Switzerland week ago US

week ago

Japan week ago

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EURO CURRENCY INTEREST RATES

Short 7 days rem notice

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S LIBOR Interbank fixing races are offered rates for \$10m quoted to the market by four reference bank at 11am each working day. The banks are: Barriers Trust, Bank of Tolopo, Bercloys and Nation

venomentals. Allef rates are shown for the domestic Money Rubes, USS CDs, ECU & SDR Linked Deposits (Ds;

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93.87 93.84 93.74 93.36

93.86 93.97 93.78 93.46 93.07 IR SHORT STEPLING OPTIONS (LIFFE) 2500,000 points of 100% Strike Price 0.31 0.41 0.58 0.01 0.29

Up to 1 1-3 month month

BASE LENDING RATES Royal Bik of Scotland 6.00
eSinger & Friedlander 6.00
TSB 6.00
TSB 6.00
Linity Trust Bank Pic 6.00
Western Trust 6.00
Volkstern Listing 6.00
Yorkshire Bank 6.00 . 6.00 Bernico Bilbaro Vezataya... 8.00
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Celbarrik NA 6.00 Bank of Ireland 6.00

CURRENCIES AND MONEY

Dollar easier as markets waits for Bundesbank

By Philip Gawith

Currencies remained within established trading ranges yesterday, with markets still unable to establish any impor-tant directional trends.

MARKETS REPORT

If anything, the dollar had a slightly weaker bias to it, amid reports of a large order to sell dollars against sterling, which drove the dollar down to around DM1.47.

It closed in London at DM1.4718, from DM1.4805, and at Y105.3, from Y105.645. The D-Mark made good gams

against the lira, which suffered a correction after its recent rally. Traders said a background of political nervousness, and concern that interest rate cuts might lag behind rallying aharply, after big Italy's Iberian neighbours, had losses in recent days. The also added to lira weakness.

The D-Mark was steadier rose to a 6% week high following comments from Mr Markus 3 min 15220 15230 15231 Lusser, governor of the Swiss National Bank, that he saw no

Mer 13

LISA

POUND SPOT FORWARD AGAINST THE POUND

need for further rate cuts. Con- December contract finished at Germany cern about the single currency project has also increased demand for Swiss francs.

The Sonth African budget was well received in financial markets. The rand closed at R3.9055, from R3.93, against the dollar. There was no announcement of exchange control relaxation, although the finance minister said an announcement would be made

Sterling had a slightly steadier day. It closed at \$1.5234, from \$1.5199, and at DM2.2422, from DM2.2501.

Some weak UK economic data were well received in interest rate markets with most short sterling contracts

E Pound in New York 1 yr

Trained for Mar 12. Bid/offer aprends in the Pound Spot table show only the last three clockrust places. Forward noise are not directly quoted to the marton but are jumpled by current interest return. Starting index calculated by the Bartle of Brighten Base servings 1990 to 100. Index rebased 1/2785. Bid. Other and Michigan by the Body this art to Dolle's Spot tables between the WMPRUTHERS GLOSHIG SPOT PATES. Some values are recursive by the F.T.

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0,883 0,386
2,299 0,983
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1,189 0,514
2,170 0,838
1,238 0,535
2,242 0,966
1,078 0,465
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Jun Sep

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95,08 94,92

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EXCHANGE CROSS RATES

BP

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18.79

18.79 16.86 10 8.865 11.28 10 3.865 3.427 8.943 7.929 0.363 0.322 3.451 3.060 8.865 7.877 8.740 3.318 4.595 4.074 8.866 7.653 4.160 3.688 5.690 5.045 5.403 4.790

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+0.0016 +0.0019 +0.0021

Over- 7 days night notice

IN THREE MONTH STERLING PUTURES (LIFFE) \$500,000 points of 100%

0.6788 0.6824 0.6862

UK INTEREST RATES LONDON MONEY RATES

Interbunk Sterling CDs
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7.877 3.318 4.074 7.438 4.242 7.583 3.668 5.045 4.790 6.334

High 0.6800 0.6834 0.6852

0.8430 0.8510 0.8583

93.46, from 93.33. The China/Taiwan tensions

TO BE SEED OF THE STREET, THE LAW WAS ARREST.

which lent some support to the dollar last week, now appear to be weighing on it. Mr Peter Farley, analyst at MMS in Lon-don, said the dollar has not historically parformed well during conflicts in which the US has been involved.

Also weighing on the dollar yesterday were rumours that Taiwan was planning to sell some of its US treasury holdings to support the Taiwan dol-

The London conference on EMU organised by the Royal Instituta of International Affairs provided further evidence of the deep seated tensions that exist over Europe. Yesterday's proceedings saw Mr Eddie George and Erik Hoffmeyer, former governor of the Danish central bank, lined up against France's Jean-Claude Trichet and Mr Klaus Regling, director general of the German Ministry of Finance.

95.5

90.2

137.9

502.5 408.0 267.4 217.8 501.8 245.5 103.3 84.12 239.1 194.8 8,711 7,904 92.27 75.11 257.5 100. 224.3 182.8 104.1 231.7 188.5 111.2 90.54 144.5 117.8 191.0 155.5

Open

22.40 11.82 13.45 4.807 10.65 0.433 4.114 10.56 4.458 5.477 10 5.704 10.55 4.959 6.783 6.480

Latest

0.9502 0.9617 0.8737

1,5224 1,5194 1,5150

2,15214 39,3990 13,4383 1,91007 195,792 7,28580 9,40608 0,792214

3.928 2.090 2.357 0.808 1.969 0.778 0.762 0.960 1.753 1 1.851 0.889 1.189 1.129 1.483

Change

-0.001e -0.0020

EMS EUROPEAN CURRENCY UNIT RATES

2.11732 38.8819 13.3010 1.69124 195.563 7.30964 6.47829

2.168 1.154 1.902 0.446 1.032 0.042 0.256 0.432 0.532 1 0.466 0.657 0.657 0.623 0.624

High

-0.0033

-0.0223 -0.02299 -0.126 -0.00648 -0.00596

May

2.90 2.31 1.78 1.30 0.94 0.65

94,82 94,80

0.45

94.62 94,58

95.07 94.92

Apr 0.27 0.09 0.02

0.22 0.03 0.01

0.29 0.11 0.03

0.28 0.12 0.05

total, Cale 15735 Puts 20317. Previous day's open int., Cale 400216 to SWISS FRANC OPTIONS (LIFFE) SP: 1m points of 100%

+0.02

1.5202 1.5182 1.6160

-1.62 -1.30

Saudi Arabia Singapora South Africa South Korea

Reportate, % 4.5 ---1995

The nub of Eddie George'a submission was this: "What matters fundamentally_is-that convergence_is realistically expected to be sustainable over the longer term. Monetary union is intended to be forever. And I am concerned that the Treaty timetable is producing a sort of aprint to the line by the end of next year."

community" in Europa where one cannot imagine settling any disputes among European members through the use of military force." Noting what he described as the "North-European reserva-tion" to monetary union, he

said: "It is extremely difficult to sell the advantages that an EMU is supposed to provide in the political field, when it is not possible to identify how and what will be achieved." He was sceptical about the ability of "official propaganda" to change these attitudes.

On the issue of public opin-ion, Mr Regling conceded that "If people begin to believe that unemployment goes because of Maastricht...this would actually kill EMU."

In a later speech, Mr Andrey Smith, the UK shadow Trea sury minister, said that job cre Mr Hoffmeyer stressed that ation had to be an important

the "leitmotiv" in the Europart of the EMU process if it is pean integration process over the past 40 years had been the desire to establish a "security" to be given popular support by the people of Europe. He warned that British rejection of Emu could result in an interest rate premium on ster-

ling assets.

Mr Hoffmeyer alleged that the entrance criteria were being interpreted increasingly strictly (though Mr Regling dis-puted this). The risk, he said, was that "realisation of EMU between very few countries may create a lasting division of Europe into three groups, namely an EMU, a Northern group that does not wish to join, and a Southern group that is not able to fulfil tha criteria." He said this would be a "very destructive develop-

War 13	3	\$
Czach Rp	41.3479 - 41.3549	27.1490 - 27.1590
Hargey	217.256 - 217.448	142,650 - 142,700
kan	4571.40 - 4569.00	3000.00 - 3000.00
Comple	D.4548 - D.4558	0.2986 - 0.2981
Probabil	3.9126 - 3.9162	2.5090 · 2.5700
Rageta	7372.84 - 7381.29	4841.00 - 4844.00
MAE	5.5936 - 5.5963	3,5721 - 3,5726

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F)	5.0432	-0.0245		- 437	5.0575		5.0377	1.3	5.029	1.1	4.9872	1.1	109.0		5.61	95.64	+0.04	95.65	95.60	16,572	49,645
M	1.4716	-0.0087			1.4790		1.4691	2.2		2.1	1,4411	21	109.4		5.53	95.57	+0.02	95.59	95.53	6,029	48,480
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Fr)	30,2690	-0.1775		- 820		30,2000	30.214	2.1		1.B	29,821	1,5	107.7					_			
F	1.6486	-0.0091				1,6444	1.6458	2.2	1,6391	23	1,9168	1.6	107.7		Open	Sett price	Change	High	LOW	Est. vol	Open Int.
()	6.4026	-0.0345				8.3915	6.4003	0.4	6.3921	0.7	6.3751	0.4	98.1	Mar 9	6,67	96.67	+0.01	96.68	96.65	13562	126264
8)	152.100	-0.8		- 160		151.750		-3.0		-30	158.B5	-3.1	95.5	Jun 9	8.74	96.75	+0.03	96.76	96.72	34801	219820
ш	123.775	-0.645				123,600	124.17	-3.8		-3.7	128.395	-3.7	61.6	Sep 9	8.58	96.59	+0.03	95.62	96.56	43469	215411
K/	5,7796	-0.029				8,7505	8.7965	-3.0	B.R26	-2.7	8.9635	-2,7	86.2	Dec 9	8.27	95.28	+0.04	96.30	96.25	30002	172764
Fr)	1,1890	-0.0102			1.1937		1.1849	4.1	1.1778	3.8	1,1472	3.5	113.5	IN THREE MO	ити в	IROC IRA	PITTIRES	/ IEEE	1000m pol	into of 100%	
Φ	1.5234	+0.0035	230	- 238	1.5252		1.5225	0.7	1.5208	0.7	1.5135	0.6	82 B		_			<u> </u>			
-	1.2558	+0.0065	554	- 581	1.2580	1.2529	1.2561	-0.3	1.2566	-0.2	1.2571	-0.1	-		Open	Sett price	Chenga	High	Low	Est. voi	Open Int.
•	0.88533	~		-	-	-	-	-	•	-	-	-	-	Mar 9	0.29	9D.19	-O.DB	90.29	90,19	5011	29159
														Jun 9	0.84	90.72	-0.07	90.86	90.71	13796	34010
sot	0.9999		996	- 289	1.0001	0.9868	-	-		-	-	-	-	Sep 9	1.10	91.00	-0.08	61.13	91.00	1936	18431
1	0.9861	+0.0021	860	- 862	0.9852	0.9845				•					11.10	91.02	-0.06	91,14	91,01	154D	14268
3	1.3675	+0.0012	672	4 677	1,3691	1,3669	1.3873	0.1	1.3675	0.0	1,3704	-0.2	B3.2	IN THREE MO		IDA MIRA					
ol	7.5850	-0.007			7,5960	7.5800	7.5873	-0.4	7,5904	-0.3	7,5953	-0.1	-	DO 17 DESCRIPTION	MINE	UNU DES	* LYPING	PULUM		AT IIII POI III	01 10074
(5)						-		-		-		-	98.9		Check	Sett price	Change	High	Low	Est vol	Open int.
	Milce													Mer 6	8.19	98.21	+0.02	96.23	98.14	3648	19450
\$	1.2922	-0,005			1,2998		1,2942		1,2977	-1.7	1.3164	-1.9	P1.4		8.12	96.19	+0.07	98.24	98.09	6539	24998
(2)	7.7325	+0.0007			7.7333		7.7332	-0.1	7.735	-0.1	7.762	-0.4	-		77.84	98.00	+0.07	B8.07	97,92	2477	13365
ы	33,9155	+0.0105	100	- 210	34,0850	33.9100	34.0655	-5.3	34,3705	-5.4	35.B405	-5.7	-		77.61	97.72	+0.11	97.77	97.61	1416	10178
ú	3.0885	-0.0049	880	- 909	3.0919	3.0658		-		-				IN THREE MO							
m	105.300	-0.345			105,400	105,180	104,825	5.4	103,89	5,0	100.285	4.8	138.2	and the same of th	410	ON PUIL		COLIM	- TO TO		
S)	2,5433	-0.0014			2,5455	2.5412	2,5442	-0.4	2.5503	-1.1	2,5738	-1.2			Open	Sett price	Change	High	Low	Est, vol	Open Inc.
31	1,4835			- 843			1.4866	-2.5	1.4724	-2.4	1,497	-23	-	Mar B	5.34	95.35	+0.02	95.36	95.34	298	5818
oi	26,1850	-0.005			26,2200					-		-	-		5.42	95.43	+0.03	95.44	95.42	646	8706
Fő.	3,7506	+0.0002				3.7503	3,751	-0.1	3.7517	-0.1	3,755	-0.1			5.29	95.30	+0.02	95.32	95.29	292	3398
9	1,4068	-0.0014			1,4081	1,4080	1.4033	30	1,3973	2.7	1,3718	2.5	-		5.03	95.04	+0.03	95.08	95.03	250	3200
-	3.8065			- 080		3.8840	3.8343	-8.8	3.9657	-82	4,200						40.00	0 3.00	63.03	200	3400
1	780.250			300	790,500		783,25	4.8	788.75	-3.3	805.25	-3.2		, CLLE intrace a							
	27,4005			000	27,5000		27.5185	-0.8	27.5585	-0.9	DESCRIPTION OF THE PERSON OF T	-3.2		M EUROLIRA	OP130	ME (LIFFE)	L1000m p	olms of 1	D0%		
3								-4.7		-4.8	26,405	-47		Strike		CAL				PUTS -	
30	25.2200	-0.01			25.2320									Price	Mer			Зер	Mar	- PUIS	Sep
-	12. Boroffor	STREET, ST	me Do	uer Spo	A 1800 Phot	wany the	mot name to	a Mar	percent, rore	ANTO PAR	Mary 12- Per	mocny of	unted to the # 1880-100								
υij	COLUMN SAME	ANY SERVICE CH	. 100	4 4 8	An ma dros	ma 11 (45 C	W. W. W.		, inches				1000-100	8000	0.22	0.9		.23	0.03	0.18	0.23
														9025	0.05	0.6		.03	0.11	0.22	0.28
														p050	0.01	0.5	5 0	.85	0.32	0.30	0.35

THREE MONTH EUROLINA PUTURES (LIFTE)" L1000m points of 100% Open Sett price Change High Low 90.19 -0.08 90.29 90.72 -0.07 90.86 91.00 -0.08 61.13 81.02 -0.06 91,14 SE MONTH EURO SWASS FRANC FUTURES (LIFFE) SF/IM points of 100% Open Sett price Change High Low Est vol Open int. 98.21 +0.02 96.23 98.19 +0.07 98.24 98.00 +0.07 98.07 97.72 +0.11 97.77 NEED MONTH ECO PUTURES (LIFFE) Ecurl m points of 100% Sett price Change High +0.02 95.36 +0.03 95.44 +0.02 95.32 +0.03 95.06 95,35 95,43 IFFE futures also traded on APT EXHIBOLIERA OPTHORIS (LIFFE) L1000m points of 100% - CALLS 0.90 1.23

ISRAEL 2000 SICAV

NOTICE TO THE SHAREHOLDERS OF ISRAEL 2000 SICAV Notice is hereby given that the Annual General Meeting of the Shareholders of ISRAEL 2000 SICAV will be held at the registared office of the Company on 2 April 1996 at 10:00am

1. Report of the Board of Directors; 2. Report of the Auditor:

3. Approval of the financial statements for the fiscal year anding 31 December 1995:

4. Allocation of the net result;

0.541 1.252 0.051 0.463 1.244 0.524 0.649 1.174 0.570 1.213 0.582 0.796

13,114 32,368 24,947 40,142 57 1,150

30,377

May 0.86 1.22 1.86 2.22 2.80 3.50

Est. voi Open int. 32,401 278,174

435 220

May

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Apr 0.36 0.88 1.06 1.51 2.29 3.02

0.05 0.11 0.22 0.43 0.65 1.45

94,61 94,58 94,41

95.08 95.05 94.82

0.02

0.01 0.10 0.38

0.03 0.07

0.30

0.14 0.05

0.25 0.14 0.07

5. Discharge of the outgoing Directors and the Auditor;6. Appointment of the Directors and of the Agents of the

 Appointment of the Directors; Appointment of the Auditor:

7. Any other business A Shareholder may act at any Meeting by proxy.

On behelf of the Company BANQUE DE GESTION EDIMOND DE ROTHSCHILD LUXEMBOURG

société anonyme 20, rue Boulevard Emmanuel Servala L: 2535 LUXEMBOURG



Undated Floating Rate Primary Capital Notes

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest Period from March 14, 1996 to June 14, 1996 the Notes will carry an interest Rate of 5.75% per annum. The interest payable on the relevant interest payment date, June 14, 1996 will be U.S. \$146.94 per U.S. \$10,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank



HongkongBank The Hongkong and Shanghai Banking Corporation Limited

Incorporated in Hong Kong with limited liability) U.S.\$400,000,000

PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

Notice is hereby given that the Rate of Interest has been fixed at 5,6675% and that the interest payable on the relevant Interest Payment Date June 14, 1996, in respect of US\$5,000 nominal of the Notes will be US\$72.67 and in respect of US\$100,000 nominal of the Notes will be US\$2.68.

Mentin 14, 1996, London By: Ciliberak, N.A., (Issuer Services), Agent Bank CITIBANCO

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Nearly \$500 million in customer Transport making lengthing sist, beforing the pilt of James genere them the object benefitness and commercy left, it is not threaden, whether he ansupers. All second and appearant by the Machine, & Congress, regulated by 570,

LIND-WALDOCK & COMPANY

ASIAN INCOME FUND Dividend Distribution

NOTICE is bereby given that the Manager of the above Unit Trust will pay a dividend of USD 0.43 per unit payable on 19 April 1996 to Unitholders whose names appear on the Register of Unitholders on 28 March 1996 in respect of Units held by them on 28 March 1996.

Holders of Bearer Units should send Coupon No 9 to the specified offices of any of the Paying Agents listed in the Explanatory Memorandum. Holders of Bearer Units in Hong Kong should send Coupon No 9 to Indosuez Asset Management Asia Limited at suite 2606-8, One Exchange Square, 8 Connaught Place, Central Hong Kong.

Holders of Bearer Units who wish their dividends to be reinvested in units in the above Unit Trust Fund should notify Banque Indotuez Luxembourg, atm:
P. Weynand at 39 Aliée Scheffer L-2520 Luxembourg on or before 1 April 1996 in order to qualify for the issue price applicable on 1 April 1996, as published on 2 April 1996. Those who notify after 1 April 1996 should note that the issue price then applicable could be higher or lower than the issue price applicable on I April 1996 valuation.

By order of suez Asset Management Asia Limited The Manager Banque Indomez Laxent The Trustee

8 March 1996



Les Echos

The FT can help you reach additional readers in France. Our link with the French business newspaper, Les Echos, gives you e unique recruitment advertising apportunity to capitalise on the FT's Europeen readership and to lergel the French business world. For information on rates and further details

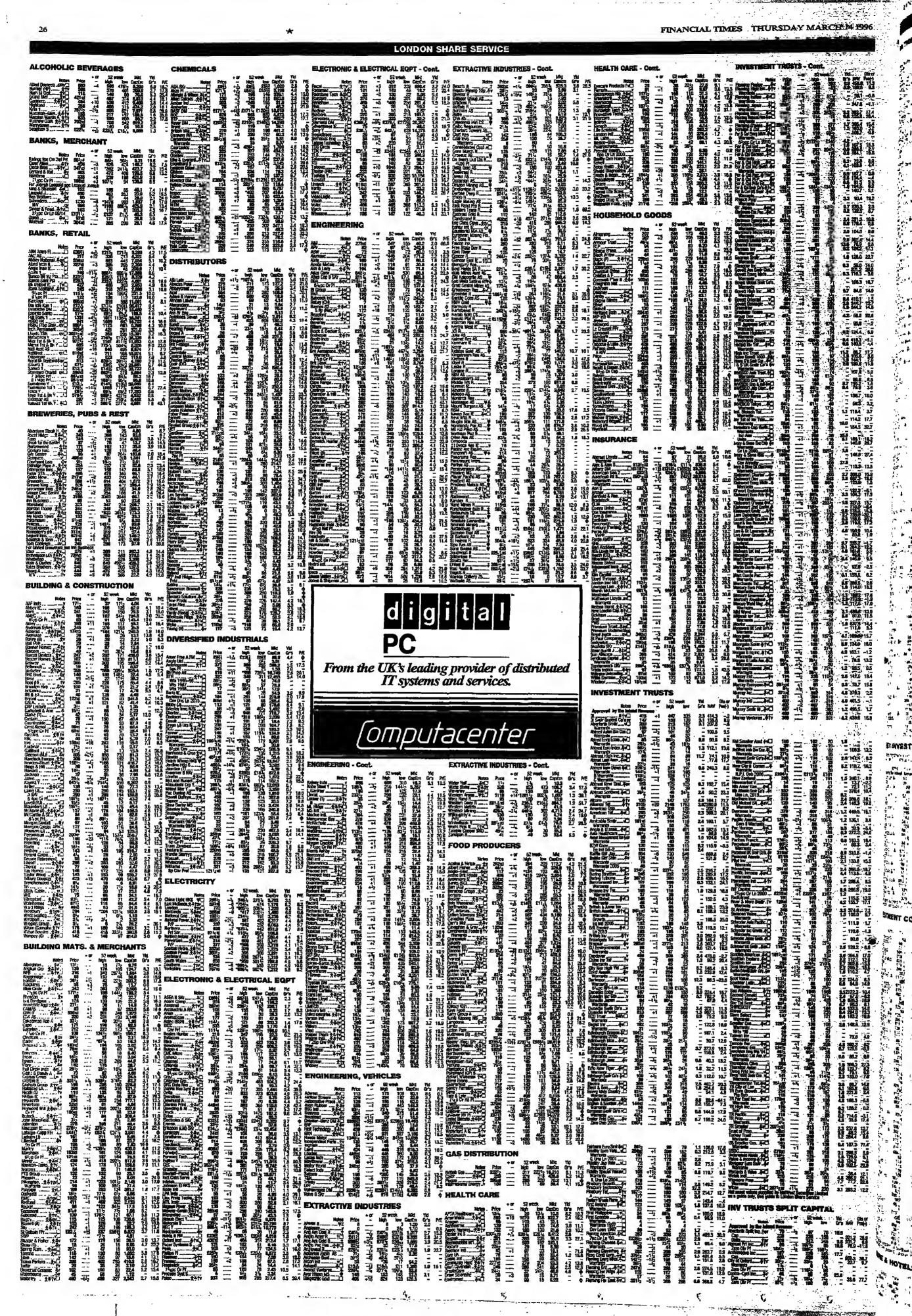
please telephone: Toby Finden-Crofts on +44 171 873 3456

Financial information Service on Japanese Corporete Issuers **MIKUNI'S** CREDIT RATINGS

on about 4,000 bond issues and about 1,300 short-term notes. Cost: US\$ 5,000 per year

Please sand further information

Name **Address**



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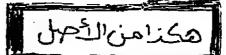
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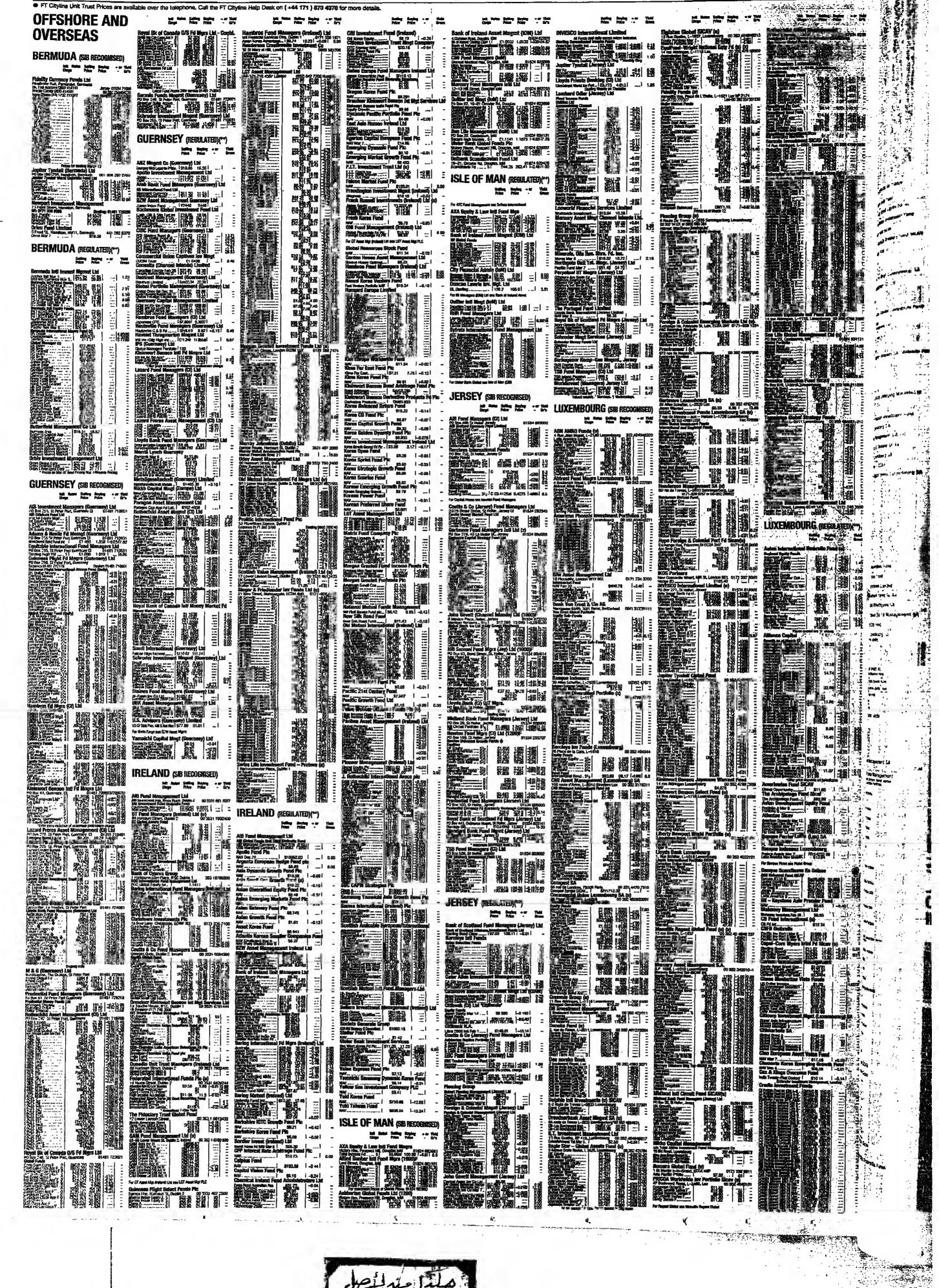
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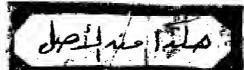
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There's no time like the present to check your futures, or now is so.

MANAGED FUNDS SERVICE





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Firm gilts help to rebuild confidence in equities

UK Stock Market Editor

There was a much more confident feeling around European stock mar-kets yesterday, especially in London, where share prices just about managed to close in the black after five consecutive sessions of losses. But it was a close run thing, with Wall Street once again demonstrating its erratic nature and ability to shock, falling some 30 points early in the US trading session before stabilising and moving ahead

shortly after London closed. The FT-SE 100 index settled a net 0.8 higher at 3,640.3, having lost 136 points over the previous five trading days, mirroring the big slide on Wall Street.

The UK market's second liners continued to demonstrate their resilience, with the FT-SE Mid 250 index moving up 7.2 to 4,229.9.

Further convincing evidence that there are, as yet, few signs of emerging inflationary pressures helped to lift the gilts market. which in turn imparted growing confidence to equities.

An increase in UK unemployment, plus what were seen as encouraging average earnings numbers and unit wage costs, drove gilt-edged stocks sharply better in the morning although the day's best levels were quickly lost as US bonds delivered another erratic performance.

The market has recently been dominated by the "big picture" led stories, so it was refreshing to see numerous individual stories take over the running.

The banks sector remained in the forefront of activity, with most of the individual stocks staging a recovery after the big losses of recent sessions. These were triggered by substantial weakness in global bond markets and, to a lesser extent, by worries about the intensification of the mortgage price war

The sector provided yesterday's best individual Footsie performer in

Standard Chartered - the bank's shares posted a near 4 per cent gain - and the third worst performer in HSBC, which dipped 2 per cent.

Both shares have been hounded by sellers worried about the impact of the recent heightened tension in the Far East after China's military manoeuvres off the coast of Taiwan. Yesterday saw the share price diverge, with Standard Chartered responding strongly to buy recommendations from at least two of the market's top brokers, SBC Warburg and James Capel. And investment presentations by the bank to Scottish institutions earlier in the week was said to have promoted some keen huying interest via the

five years and income of £3bn

Mr John Toalster of SGST,

traditionally very cautious on

the stock, turned buyer, citing

"a very powerful and positive

message on earnings and divi-

However, Merrill Lynch retained its neutral stance,

arguing that in spite of a confi-

dent performance by manage-ment, "the shares stand on a

prospective 1996 yield only in line with the market". The bro-

ker prefers Shell Transport,

14 at 545%p in 19m traded.

which rose 6 to 840p. BP added

665p, following a 50p run-up over the past two weeks. How-

ever, some sector specialists

are convinced that the group

will announce a share buyback

A buyback of 10 per cent of

the share capital is expected

and could have the effect of

sooner rather than later.

Yorksbire Water slipped 5 to

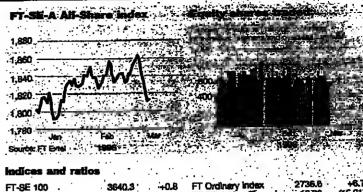
dend prospects".

by the end of the century.

bank's own broker, Cazenove. Switching from HSBC, amid vague rumblings about losses in bond markets, also helped Standard

move up at the former's expense. BP, one of the UK market's star performers in the past two years, moved into top gear and the shares approached their all-time record after the company painted a bullish picture of prospects during a meeting with oil sector analysts. Some oil specialists warned, however, that much of the good news has already been factored into the price.

Turnover in equities reached 738.8m shares at the 6pm reading. Retail business on Monday was £1.68bn and on Tuesday £1.64bn.



Indices and ratios		
FT-SE Mid 250 FT-SE-A 350	3640.3 +0.8 4229.9 +7.2 1831.9 +1.0 1811.24 +1.21 3.87 (3.87)	FT-SE-A Non Fins p/s 16.93 (16.4 FT-SE-100 Fut Mar 3629.0 +1 10 yr Gift yleid 8.13 (8.1
Best performing set 1 Oil, integrated	+1.7 +1.2 +1.2 +0.9	2 Pharmaceuticals

FUTURES AND OPTIONS

4290.0 4232.0 4248.0 4248.0

III FT-SE 100 INDEX FUTURES (UFFE) \$25 per aut index point

■ FT-SE MID 250 BIDEX PUTURES (LIFFE) \$10 per full index point

FT-SE 100 INDEX OPTION (LIFFE) (19642) £10 per full-index point

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) \$10 per full index point

3629.0

Open Sett price Change High Low

+1.0

+3.0

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4232.0 4248.0

Open int.

Tobacco fears hit BAT

BAT Industries, the insurance and tobacco conglomerate, saw its shares plunge 6.5 per cent

on US tobacco worries.

Dealers said the heaviest volume for more than 2½ years was helped by a very big derivatives-related trade on But the fall of 35 to 505p

which marked a slide of almost 65p in the past five trading days - was the result of a worrying article in the US press. The Wall Street Journal reported that Liggett a US tobacco group, had offered to settle a class action lawsuit brought against cigarette manufacturers which claimed nicotine is addictive. Analysts said this was the first time a tobacco group had settled out of court and it potentially

opened a legal floodgate. However, UBS said the move by Liggett was a way of encouraging a merger with KKR's tobacco arm and did not represent a weakening of will by tobacco groups. BAT claims the Liggett move will have no impact on its US business.

Bank boosted

Shares in Standard Chartered, the international banking group with an extensive presence in the Far East, ignored the pressure from tensions between China and Taiwan to rise 22 to 586p.

following a recent bout of profit-taking in the Footsie's stellar performer of 1995, was prompted by a strong buy note from BZW.

Banking analyst Mr Hngb Pye is out in Hong Kong talking about the bank's operations there and bas reported back that all is going

He said costs are being hammered lower, personal banking - which reported a 50 per cent profits rise last year - is still showing strong growth and the corporate banking side is also well in hand.

His colleague Mr Tim Sykes said yesterday: "We bave stressed the strength of the fundamentals and the recent softness in the share price is an added bonus as it presents a buying opportunity."
The enthusiasm for Standard

was in marked contrast to the weakness in HSBC, which is the other blg banking stock heavily geared to the Far East. HSBC shares slld 17 to 960! p, with some concern also developing over HSBC's expo-sure to bonds. SBC Warburg was said to be advising clients to switch holdings into Bar-

GEC advances

clays, which rose 7 to 6950

Management succession talk

returned to electronics giant GEC. The shares, which surged from 300p to 381p between December and February on the back of hones for a top hoard room appointment, put on 5 to 353%p in above average volume of 6.8m for a two-day gain

GEC's timetable said that the announcement of a successor The advance in the shares, to Lord Weinstock would come in the spring. One leading analyst said yesterday: "The absence of leaks could suggest a deal bas been done. This could be a very interesting sit-

uation Lonrho surged to fourth place in the FT-SE Mid 250 rankings on the news that South African mining monolith Anglo American had acquired 5.9 per cent of the international

conglomerate,
"This gives Anglo a seat at Lonrho's mining demerger negotiations," said one leading Lonrho watcher. He sdded: "The betting must be that Anglo's intention not to buy more Lonrho shares is only a medium term strategy." Lonrho rose 8 to 202p in above average turnover of 9.5m.

The traditionally slick annual presentation from BP produced a sharp rise in the sbare price but divided views among oils specialists. BP predicted 8 per cent com-

TRADERS

FINANCIAL TIMES EQUITY INDICES

	Mar 13	M2F 12	Mar 11	Mar 6	Mer 7	Yr ago	THON	"LOW _
Ordinary Share	2736.6	2729.6	2746.9	2760.0	2794,1	2337,9	2807.9	2236.3
Ord, offv, yield	3.95	3.96	3.94	3.61	3.85	4.53	4.73	3.76
P/E ratio net	16.50	16.46	16.56	16.65	16.84	16.28	21.33	15.35
P/E ratio nil	16.16	16.13	16.23	16.32	16,63	15,94	22.21	15.17
Ordinary Share indi	to since so	mplistion;	high 2807.	9 5/03/98	low 49.4	26/6/40, E	and Dane:	17735.
Ordinary Share	hounty of	anges						
Open 9.00	10.00	11.00	2.00 13	100 14	00 15.0	0 16.00	High	Low

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		Mar 13	Mar 12	Mar 11	Mar 6	Mar 7	Yr ago
S	EAQ bargains	35,443	35,620	40,381	37,914	35,177	29,851
B	quity turnover (Em)†	-	1641.5	1691.6	1998.2	2093.6	1927.3
E	pulty bargainst	-	40,574	46,241	41,760	41,261	41,709
	rares traded (mil)?		572.3	574.2	700.6	696.1	747.2

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<u> </u> -	FT-SE AIM For 1995/94.		Mar 11 965.68		"High 1054.62	9

E London m	arket da	tu			
Rises and falls'		52 Week highs a	nd lows	LIFFE Equity option	2016
Total Rises	657	Total Highs	89	Total contracts	47,39
Total Falls	591	Total Lows	34	Calls	18,49
Same	1,534	1		Puts	26,89
Mar.13 'Data bas	ed on Eau	ity shares listed on	the Londo	o Share Service.	

BERKELEY FUTURES LIMITE

pound growth over the next increasing the dividend per share, assuming the company decided to hold the level of

> cash payout. A strong sub-sector in recent months, bus groups continued to advance as talk concentrated on prospects for addi-tional rail franchises.

British Rail is due shortly to announce the award of three more franchises, and both Stagecoach and National Express have been beavily tipped as potential winners.

Stagecoach, which has more than doubled in price since May last year, put on 16 at 430p. National Express, the day's second best FT-SE Mid 250 stock, jumped 25 to 493p. Mobile phones group Voda-fone moved ahead amid talk of strong new connection rates overseas. The group is also due

York investors next week. According to Henderson Crosthwaite, new connections outside the UK are running well in excess of domestic expansion, thanks to sharp growth in France and Austra-lia. The shares moved forward

to make a presentation to New

8% to 249%p.
A buy note from ABN Amro Hoare Govett gave Securicor and Security Services a lift. The broker has reassessed the value of the companies' stakes in the Cellnet mobile phones system and concluded that the sbares are up to 40 per cent

Securicor "A" climbed 30 to 965p and Security Services, its 51 per cent owned subsidiary, gained 28 at 973p. Cable and Wireless, hit by

profit-taking on Tuesday, swung back into favour with a rise of 2 to 469p in 9.1m traded. "The City's view of C&W has

been shaken up by the group's attempt at a reverse takeover of BT," said one telecoms analyst. He added: "The group appears determined to pull off a partnership deal, but BT looks the really feasible outlet. The take-out price is anything between 500p and 600p." Unilever's new management

structure was given a warm welcome, the shares advancing 20 to 1228p in 3.9m traded. An add note from Merrill Lynch helped to push Cadhury Schweppes up 4 to 514p. United Biscuits lost 3 at 230p ahead of today's annual results.

Among drinks gronps, Guinness firmed 10 to 464p following a positive change of stance by a leading drinks team. Reed International, the pub-

lisher, put on 19 at 1057p on full-year figures above the range of analysts' forecasts. Cordiant, the advertising group, jumped 11 to 116p in reaction to well received fig-ures on Tuesday. Panmure Gordon has a target of 146p on the share price.
Among builders, a main-

tained dividend from high yielder Heywood Williams sent the shares up 19 to 235p. Amey, which is to share in e £160m tram contract, continued to gain ground, adding 11 at 196p:

LONDON RECENT ISSUES: EQUITIES

MARKET REPORTERS:

rice eus	Amt	Mikt.	1995	/96		Close		Net	Dłu,	Gna	P/E	
P	up	(Em.)	High	Low	Stock	P	+/-	ďv.	COV.	ykf	net	
	F.P.	51.8	527	498	BZW Eq (Brmda)	516			-	-	-	
-	F.P.	1.55	2	2	†Capital & Water	2		-	-	-	-	
-	F.P.	0.07	512	34	Chibbisus Wran	34		-	-	-		
. 75	F.P.	14.7	Bl2	53.	Clubban	Ë		4-	-	-	11.17	
72	F.R	53.2	16k2	14	Treepages .	1412	-12	#-	-	-		
-	F.P.	33.3	143		TOC Inti	136	-	-	-		٠.	
100		22.6	52	25	Lite Offices PP	52	4	-	-	-	÷	
-	F.P.	63.3	43	42	M & G Equity Inc.	42				-	1.5	
-		61.3	2412	2012	M & G Equity Cap	2012		**	-	-	<u> </u>	•
-	F.P.	5.12	92	88	M & G Equity Div	89	-	-	-	-	-	•
-	F.P.	16.2	71	58	†Ootical Caru (B)	70	12		-	-		1
-	F.P.	193.6	250	241	Schroder UK.G.Uts	342		-	_	-	-	
175		121,8	223	197	Shire Pharme	200		-	-	-		
120		34,4	125		Stadium Group	125	41	Lv3.8	31	-8.8	10.5	
180		108.5	188		Streamline.	175.	-2	Wv7.7	1.7	5.5	13.2	
185		105.B	231		Visual Action	230	-	FIVE?	2.9	. 28	18.8	

FT GOLD MINES INDEX

	Mar 12	% chg on day	Mar 11	Year ago	Gross div	P/E	52 w	Lon
Sold Wipes Index (33)	2254,76	+0.7	2238.23	1815.23	1.47	7 %	2529,73	1722.9
III Regional Indices								
Atrica (16)	3084.99	+2.5	3008.31	2745.12	2.74	36.27	3553.86	2272.7
Australesia (5)	2624.28	+2.3	2586.30	2018,07	2.40	39,41	2927.34	1986,8
North America (12)	1964.53	-0.4	1971.90	1513.98	0.69	59.27	2106.39	1486.8
Copyright, The Financia Times Limited. Figures a 31/12/92. 7 Partial. Lan	n brackets	show no	ember of c	companies	L Bests US D	traciema chera. Bu	ric of The 180 Values	Financi 1000.0

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FT - SE Actuaries S	hare in	dices							he L	JK S	erie
		Day's				Year	Dáv.	Net	P/E	Xd ad	
	Mar 13	chge%	Mar 12	Mar 11	Mar 6	#90	yieki%	cover	ratio	ytd	Ret
FT-SE 100	3640.3	hagerte	3639.5				4.06	2.11	14.60		
T-SE Mid 250	4229.9		4222.7	4212.0			3.50	1.72		38.45	
T-SE Mid 250 ex Inv Trusts	4261.7	+0.2	4254.0				3.61	1.78		40.99	
T-SE-A 350	1831.3		1830.3				6.94	2.03	15.62		
T-SE-A 350 Higher Yield T-SE-A 350 Lower Yield	1794.9		1804.4 1882.8				4.95 2.91	1.89	13,39		1227
T-SE SmallCap	1875.0 2058.33	+0.7				1684.15	3.07	2.2B 1.80	18.83 22.59		1286
T-SE SmallCap ex lav Trusta	2046.92					1662.73	3.26	1.89	20.29		1688
T-SE-A ALL-SHARE	1811.24					1496.24	3.87	2.02		13.48	
FT-SE Actuaries All-	Share	Day's				Year	Dtv.	Net	P/E	Xd adi	i. To
	Mar 13		Mar 12	Mer 11	Mar 6	ago	yield%	COVEE	ratio	ytd	Reb
10 MINERAL EXTRACTION(24) 12 Extractive industries(0)	3264.94 4147.32					2627.15	3.97	1.51	20.88		
15 Oil, Integrated(3)	3305.98					3496.62 2627.40	3.83 4.16	2.39	13.63	85.48 16.24	
16 Oil Exploration & Prod(15)	2248.94					1871.00	2.16	1,41	40.69	0.00	1334
20 GEN INDUSTRIALS(275)	2064.89			_	_	1800.16	4.04	1.87	18.53	8.01	1113
21 Building & Construction(34)	1132.10					924.90	3.53	2.03	17,48	1.60	934
22 Building Matts & Merche(29)	1887.80					1683.40	3.96	2.00	15.79	0.61	937
28 Chemicals(23)	2558.76					2152.82	3.91	1.59	16.03	23.93	120
24 Diversified Industrials(21)	1773.17	-0.1	1775.54	1775.88	1772.87	1790.53	5.59	1.48	15.07	12.91	976
25 Electronic & Elect Equip(38)	2308.12					1897.20	3.13	1.82	22.00	2.78	118
26 Engineering(70) 27 Engineering, Vehicles(13)	2332,22 2758.36					1740.05	3.26	2.40	15.96	7.83	1400
27 Engineering, Vehicles(13) 28 Paper, Pckg 8 Printing(28)	2689,36					2143.39 2703.76	3.82	1.56 2.04	19.71 15.49	0.23	110
29 Textiles & Apparel(19)	1480.73			1487.56			4.71	1.72	15.38	7.42	892
30 CONSUMER GOODS(81)	3453.17			3542.57			4.06	1.85	16.58	12,24	125
32 Alcoholic Beverages(9)	2765.82			2783.07			4.40	1.87	17.04	28.48	986
33 Food Producers(23)	2541.93			2532.41			4.30	1.71	16,96	4.90	112
34 Household Goods(15) 36 Health Care(20)	2436.10 1924.67			2462.34			3.92	2.15	14,84	3.66	915
37 Phermaceuticals(13)	4824.26			1922.11 4984.99			2.71 3.46	1.82	25.40	5.11	115
38 Tobacco(1)	4273.56			4692.87			5.95	1.94 2.03	18.51 10.33	12.95	103
40 SERVICES(253)	2350.54			2338,43			2.97	2.10	20.05	14.60	1212
11 Distributors(32)	2625.42	+02	7629 BB	2620.61	2844 RR	2265.74	3.74	1,84	18.16	7.45	258
12 Leisure & Hotels(23)	2913.07			2919.25			2.66	2.15		108.39	
13 Media(45)	3889.11			3843.88			2.21	2.10	26.97	15.54	
44 Retailers, Food(15)	1899,48			1892.53			3.85	2.40	13.51	291	116
5 Retailers, General(43)	1948.76			1943.86			3.05	2.21	18.56	5.73	110
17 Brewaries, Pubs & Rest.(24) 18 Support Services(46)	2968.53 2091.25			2966.66			3.33	2.09	18.02	15.93	141
18 Support Services(49) 18 Transport(21)	2374.87			2073.00 : 2361.96 :			2.32 3.66	2.53 1,41	21.34 24.32	3.65 6.84	1310
30 UTILITIES(33)	2440.83			2457.57			5.08	2.06	11,92	35.13	978
32 Bectricity(12)	2687.94			2701.32			5.17	2.60		137.11	
84 Gas Distribution(2)	1549.88			1558.84			7.73	1.37	11.62	0.00	777
96 Telecommunications(7)	2018.59			2035.16			4.16	1.76	17,02	0.15	913
96 Water(12)	2149.07	_		2163,65			5.68	2.59	6.49	3.81	116
39 NON-FINANCIALS(600) 70 FINANCIALS(100)	1935,64			940.05			3.86	1,91	16,93	12.25	145
70 FINANCIALS(108) 71 Banks, Retzikis)	2743.84 3768.72			2802.87 : 3910.70 :			4.27 4.11	2.57		37.20	1173
2 Banks, Merchantis	3448.02			450.85			2.84	2.83 2.33	10.75	70.15 4.52	1225
73 Insurance(24)	1342.46			383.76			5.82	3.07		21.77	999
74 Life Assurance(6)	3534,20	+0.9 3	565.13 3	433.13	3623.85	2460.37	4.10	2.10	14.49	0.00	1436
77 Other Financial(23)	2492.44			2505.17			3.66	1.91		19,61	1408
79 Property(41)	1425.48			434.09			4.39	1.30	21,85	4.11	866
80 INVESTMENT TRUSTS(126) 89 FT-SE-A ALL-SHARE(900)	3052.48 1811.24			820.93			2.22	1.07	52,68	11.33	1080
-SE-A Fledaling	1149.53						3.87	2.02	16.01	13,48	1515
TOCYN FREEBARG	1154.63			143.84 1 148.31 1			2.97 3.24	2.16 2.35	19.30 18.45	4.77 4.98	1192 -1197
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MARINE & ASSESSMENT

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soft book-to-bill ratio

Wall Street

Technology shares jumped in early trading yesterday, while action In other sectors was subdued as investors awaited inflation data due out today and tomorrow, writes Lisa Bransten in New York

At 1 pm, the technology-rich Nasdaq composite index had shot up 14.39 to 1.087.43, in spite of a sign of weak demand niconductor industry. The Pacific Stock Exchange technology index was 1.7 per

Late on Tuesday, the Semiconductor Industry Association said that its book-to-bill ratio the ratio of orders booked to orders shipped - fell to its lowest level for fiva years in

February.
Micron Technology slipped
\$% to \$29%. But other chip companies, most of which had tumbled since early last autumn on fears of weakening demand in the sector, were generally stronger. Intel added \$1% at \$56%. Applied Materials was \$1% stronger at \$33% and LSI Logic rose \$1 to \$26%.

Companies involved in the Internet continued to move shead. Microsoft rose \$4% to \$99% and America Online added \$3 to the \$7% it climbed on Tuesday, bringing the shares to \$58%. The companies

Market

Argentina

Colombia!

South Korea

Philippines

Indonesia

Sri Lanka

Greece Hungary

Euro/Mid East

Mexico

Pend

Latin America

Tuesday under which AOL would allow the use of Microsoft's Internet browser and Microsoft would include AOL in its software packages.

But the strength in technology did spill over on to the broader indices. The Dow Jones industrial Average fell 14.81 to 5,569.08 at 1 pm, while the Standard & Poor's 500 added 1.63 at 638.72. The American Stock Exchange composite put on 0.25 at 559.42. NYSE volume was 241m shares. One factor behind the Dow's

poor performance was a decline in Philip Morris, which was hurt by uncertainty over the possibility that Liggett Group - one of the five tobacco companies involved in a number of smoking suits - would settle. Shares in the biggest tobacco company in the US were \$2% lower at \$98%.

Meanwhile, Brooke Group, which owns Liggett and is controlled by the corporate raider Mr Bennett LeBow, jumped \$11/2 or 18 per cent to \$9% on speculation that the settlement would improve Mr LeBow's chances of succeeding in his effort to take control of RJR's tobacco unit.

Toys 'R' Us added \$1% or 5 per cent at \$27% after the retailer reported operating earnings of \$1.32 a share, 2

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

over week on Dec '95

+8.3 +12.0 -3.5 +7.5 -6.5 +15.0 +7.0 +12.7 +17.9 +20.6 +1.3 +6.8 +7.9 +50.4

+4.3 -0.8 +S1.0

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International investors are being urged to look beyond the current period of intense and bloody terrorism afflicting Israel in the run-up to the May elections and to reassess the Tel Aviv market, writes Michael Morgan.

Dollar terms

% Change

1996

323.50

584.30

453.70

196.93

251.36 60.59

121.50

105.41 92.45

117,33 305.67

286.16 125.50

380,90

260.64 148.01

181.63

120.68

157.82

Toronto edged lower at midsession as analysts warned that the market could become volatile ahead of tomorrow's triple witching expiry of options, futures and options on futures. The TSE 300 composite index was 8.92 weaker by midday at 4.927.30 in volume of 34.4m

In the golds sector, Greeustone Resources rose CS% to C\$8%, hut Barrick Gold fell C\$14 to C\$39.

SOUTH AFRICA Johannesburg came off earlier

highs to close mixed after the 1996-97 budget speech; early strength in golds came to an abrupt halt when the rand began to appreciate strongly. Analysts noted that property

shares, in particular, were marked lower following the unexpected imposition of a 17 per cent tax on rental income of retirement funds. Overall, however, they believed that the equity market should enjoy a net benefit from what was broadly viewed as a business-friendly budget.

The overall index ended 0.8 up at 6,662.1, industrials gained 4.5 at 8,277.3 and golds rose 14.7 to 1.774.1. De Beers declined R1.50 to R123.75.

Nasdaq climbs despite Zurich merger mania begins to clear

Some clarification emerged in ZURICH after the merger mania which had driven the market since last week's Ciba-Sandoz deal. The SMI index rose 17.3 to 3,558.3, supported hy firming bond futures

One rumour that Mr Georges Blum, SBC's chief executive, endeavoured to put to rest was that the bank sought a merger with Zurich Insurance. The latter, firmer in recent sessions, retreated SF17 to SF1345, while SBC, which also announced 1995 earnings in line with expectations, edged SFr1 igher to SFr462

UBS bearers climbed SFr14 to SFr1,314 after Mr Mathis Cabiallavetta, the new chief executive, said he hoped that the current stand-off between bank and its long time critic and shareholder Mr Martin Ebner could be resolved in

Alusuisse returned to favour, appreciating SFr27 to SFr992. while among the pharmaceuticals stocks. Ems added SFr80 at SFr5.590. FRANKFURT had the chemi-

and some speculative interest among share price winners. Hoechst offered an 85 per cent increase in profits and a 30 per cent lift in dividend but the shares closed DM6.85 lower

at D31465.65 ahead of today's

analysts' conference. This was

cals season to boost turnover,

observers; and BASF, with a 40 per cent rise in its payment, was yielding more than 5 per cent to German investors, even after another DM6.10 rise to DM383.60.

Among the big share win-ners, SAP prefs climbed DM10 or 4.9 per cent to DM214 on the computer software group's Internet co-operation agreement with Microsoft, of the US. Mr Hans-Peter Wodnick of Crédit Lyonnais In Frankfurt said that any deal that brought in Mr Bill Gates. Microsoft's chairman and chief executive, would have been good for a Continental high-tech stock.

Turnover fell to DM8.6bu from DM10bn, and the Dax index finished near to its low for the day, just 1.71 higher at an Ibis-indicated 2.417.00. In retailing, Kaufhof and

Asko rose DM18.60 to DM476.60 and DM24 to DM780 ahead of today's long-awaited merger terms with Metro's cash and carry operation - long awaited, but not necessarily expected to be bountiful where outside shareholders were concerned. Here again, turnover was low, and the move looked specula-

MILAN finished flat as early gains were pared and the lira moved lower throughout the day. The Comit index edged 0.20 higher to 591.00, while the

13.00 14.00 15.00 Close FT-GE Eurobrack 100 1575.30 1574.18 1572.76 1573.31 1573.55 1575.74 1577.91 1576.49 FT-GE Eurobrack 200 1647.08 1645.36 1644.42 1845.23 1644.50 1847.35 1648.67 1646.66 Max 7 Max 6 Max 12 Max 11 Mar 8 15E2.57 1587.72 1662.90 1607.55 1664 53

real-time Mibtel index finished 5 ahead at 9.417.

FT-SE Actuaries Share Indices

Telecom Italia Mobila lost L24 to L2,762, but was up from a day's low of L2,715, as satisfaction with strong second-half profits growth vied with worries about growing competition from its rival, the Olivetti controlled Omnitel. Ollvetti fell another L27 to L770.3 as worries over the price war in the personal computer market outweighed news that the company had finally won agreement to use Tim's mobile telephone network.

IMA, which makes machines for the packaging industry, jumped L527 to L13,160 as Chase Nominees, a Chase Manbattan Bank group trust, revealed that it held 10.5 per cent of the equity on behalf of foreign institutional investors.

However, Mr Roberto Bogoni at Merrill Lynch, who initiated coverage on the company this week, said that, in splte of the quality of the stock, he believed that the market price was already discounting the company's good growth opportunities. Merrill's various valu-

Shares in SME, the supermarket group, were suspended by the Consob market regulator on news that the owners of a 60 per cent majority stake planned to launch a public offer for the remaining stock.

PARIS closed off its best, the CAC-40 index ending 12.23 or 0.6 per cent ahead at 1,944.30 in turnover of FFr4.37bn.

ation measures pointed to a fair price of about L11,300.

Lafarge responded more positively to Mouday's good results. Boosted by Morgan Stanley, which raised its dation for the building materials group to "strong buy" from "market outperformer", the shares moved ahead FFr12.10 to FFr349.80. Saint-Louis, the papermaker, rose FFr22 to FFr1,465 after slightly better 1995 results, and

a drop of FFr33 on Tuesday.

financials saw the benefit. including Paribas which rose FFr5.10 to FFr281.10 after Framatome, the nuclear group, decided to accept its bid for Navigation Mixte. Mixte itself fell FFr17 to FFr802, closer to the bid level of FFr800.

AMSTERDAM lifted Elsevier

by 20 ceuts to Fl 23.70 on results above analysts' expectations but it was more keen on the Heineken figures tomorrow. The brewer rose another Fl 4.50 to FL325.50, and the AEX index by 4.17 to 514.34. COPENHAGEN

depressed by Novo Nordisk, down DKr21 at DKr744 on results below market expectations. The KFX index slipped 0.30 to 109.72

Interest rate cuts got a var ied reception. MADRID, out of phase after last week's indecisive election result, saw the general index dip 0.16 to 327.50. while HELSINKI showed some appreciation, with the Hex index gaining 10.24 at 1,852.92. Against the broad market trend in Finland, the sporting goods group Amer dropped FM8 or more than 10 per cent to FM67 after controlling shareholders abandoned talks with a potential buyer, and dispelled takeover hopes.

Written and edited by William

Mexico ahead although rates rise

Mexico City traded 1 per cent higher at midsessiou following Tuesday's rise in interest rates, which proved smaller than many analysts

had been expecting. The IPC index gained 28.50 at 2,848.41 after the bellwether 28-day Cetes rate was raised by 76 basis points to 43.03 per cent at Tuesday's anction, below earlier expectations of an increase of

more than 100 basis points.

Analysis warned that the market looked ripe for profit-taking after the previous two-day rise.

(631) (23) (145) (35) (76) (44) (123) (25) (72) (236) (47)

ment stemming from Wall Street's recovery late on Tuesday, and expectations of a Lower House vote later in the day on the government's patents bill.

The Bovespa index was standing 493,83 higher by midsession at 47,889. The market was also assessing news that Deutsche Morgan Grenfell had raised by 3 per-

it was adding to Brazil more out of trading

1.190.41

1.078.72

284.02

108.84 111.81

271.05

127.67

5.035.13

Local currency terms

1996 over week on Dec '95

+0.2 -0.3 -1.3 -1.1 -4.2 +2.1 -0.9 +3.7 -1.2

+11.4

+8.7 +12.6 +18.7 +20.8 +1.5

+10.S +56.7 -1.7 +ST.J

% Change % Cha

zono in Tokuo. The 225 index lost 215.57 at centage points to 40 per cent its overweight position in Brazilian stocks. But the broker said

19,932.03. Rising pessimism over the passage of the budget bill, which includes the ballont of the ailing bousing loan companies, weighed on futures prices, prompting arbitrage unwinding. Meanwhile, poor semiconductor demand figures in the US depressed high-technology issues.

Volume came to 430m sbares, against 339.4m. The Topix index of all first section

The book-to-bill ratio for February brought active overseas selling of electricals. Hitachi retreated Y15 to Y995 and Toshiba Y10 to Y760. Semiconductor related stocks were also lower, with Canon Y40 cheaper at Y1.820 and Kyocera Y10 off

Germany, was looking to acquire its shares. BASF said this week that it would estab lish a Japanese subsidiary through an acquisition and would try to gain 1 per cent of

would be bought by a foreign concern has been circulating among investors for some time. and analysts noted that Hokuriku, which last year posted sales of Y15.7bn, had been indicating that it would increase his sales to Y50bn, or 1 per cent of the drugs market.

ASIA PACIFIC

Nikkei off, Taiwan escapes regional downtrend

Mounting uncertainty over the government's liquidation plan for the country's bousing loan companies pushed the Nikkei average down 1.1 per cent to a year's low, urites Emiko Tera-

19,734.70 after touching extremes of 19,627,57 and

cent dive on the Taiwan situa-

stocks fell 11.64 to 1,524.12 and the Nikkei 300 2.13 to 284.54. Declines led advances by 819 to 236, with 137 issues unchanged. in London the ISE/Nikkei 50 index gained 2.07 at 1,329.67.

at Y6,500. Hekuriku Seiyaku, a drugs company based in western Japan, jumped Y180 to Y1,990 on speculation that BASF, of

the country's drugs market. Rumours that the company

in 16 years.

With its current R&D line-up, it is almost impossible to achieve Yalbn in sales by "self." said Nr Yasuhiro Naka-

Research Center. Profit-taking hit steels and shipbuilders. Nippon Steel shed Y4 to Y336 and Kawasaki Steel Y4 to Y352, Hitachi Zosen dipped Y3 to Y520.

In Osaka, the OSE average declined 204.39 to 20,960.74 in volume of 278.4m shares,

Roundup

Wall Street's intra-day recovery on Tuesday merely emphasised its extreme volatility, sald markets around the China seas; and rising military tensions in the Taiwan Strait. ironically, left only the centre of the tensions untouched

HONG KONG took a 3.3 per

zawa, an analyst at Nikko tion and US interest rate worries, the Hang Seng index end-ing 352.97 lower at 10,249.48 as turnover fell by nearly HK\$1bu to HK\$5.29bu. Among blue chips, HSBC, the most actively traded, slid HK\$5 to HK\$112.

> SINGAPORE dealers, too. said that key index stocks, led by bank and property shares, bore the brunt of the sales as the Straits Times Industrial index dropped 53.19 or 2.3 per cent to 2,300.73 in an estimated 119,15m shares traded, KUALA LUMPUR told the same story. although dealers said that investors were using the China/Taiwan crisis as an excuse to sell as the KLSE composite index finished 15.11 or 1.4 per

cent down at 1,084.83. BANGKOK said that the Taiwan tension kept foreign

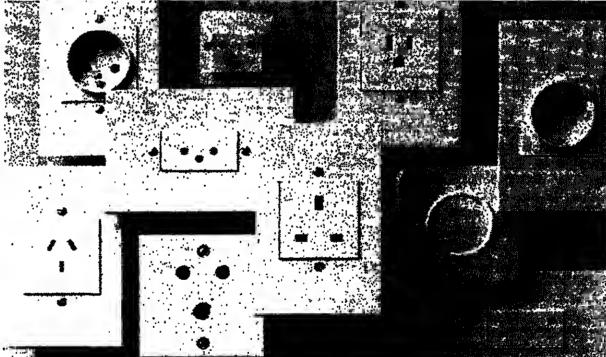
investors away, and made locals nervous as the SET index receded 18.76 to 1,247.79 turnover of Bt4.9bn. MANILA took the same line, saying that the crisis was a pretext to sell following a three-month uptrend. Here, the composite index lost 23.94 or 1.2 per cent at 2,769.92...

WELLINGTON had its own woes with a 12 per cent nose-dive in Fletcher Challenge, 54 cents down at NZ\$3.06 ahead of Thursday's unbundling of the group into separately quoted paper, building and energy companies. The NZSE-40 index slipped 21.33 to 2.081.12

SEOUL was dragged down to a new 27-month low by major blue chip Samsung Electronics, the world's leading memory

Won5,500 or 6.9 per cent to Won87,500 after another weak book-to-bill ratio for the semiconductor industry. The composite index fell 5.50 to 838.92. TAIPEI heard that a further T\$150hn was moving into the T\$200bn stabilisation fund of which, officials estimated, T\$40bn had been used to date. Dealers discounted the test firing of a fourth balfistic missile by China, and left the weighted index up 58.68 or 1.25 per cent

BOMBAY led a positive day on the Indian sub-continent, the BSE 30 index advancing 73.83 or 2.2 per cent to 3.873.73. Brokers said that the buying was led by US funds, and one trader commented that it was



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MORGAN STANLEY

the Tel Aviv market, writes Michael Morgan. In a report this week, Salumuu Brothers argues that with its afflueuce and growth, and bnoyed by favourable domestic funds flows, Tel Aviv offers strong prospects for 1996 and beyoud. The US investment bank says average company earnings could increase hy 14 to 17 per cent this year, assuming that currently high real interest rates are moderated. Yet, says Salumou, international investors' transactions represent little more than 10 per cent of the market's trading vulume and Israel represents well below 1 per cent of the portfolios of most emerging markets funds, cumpared with a neutral weighting of 2.6 per cent. Ms Barbara Insel, Salomou's European emerging markets equity research co-ordinator, argues that to be a disincentive to investment, investors would have to believe that the current terror campaign had something to do with lung term investment prospects. "But they are not related," she adds. Instead, Salomou unter that over the past decade Israel has developed a solid record as an economy displaying high growth, high savings and moderate inflation, comparable to Asia's Tiger economies. FT/S&P ACTUARIES WORLD INDICES

and moderate inflatiou, comparable to Asia's Tiger economic

REGIONAL MARKETS		TUE	SDAY MA	VACH 12	1996				MONDAY	MARCH	11 1996		DC	LAR IN	DEX
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